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REPORT BY

THE STANDING COMMITTEE ON CROWN CORPORATIONS

RELATING TO

GASOLINE PRICING IN NEW BRUNSWICK

PROVINCE OF NEW BRUNSWICK

Report to

The Executive Council of the Government of New Brunswick

and to the 5th Session of

the 50th Legislative Assembly of New Brunswick

by

The Standing Committee on Crown Corporations

relating to

Gasoline Pricing in New Brunswick

Committee Members:

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December, 1986

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ABBREVIATIONS

Committee		- Standing Committee on Crown Corporations
Esso	refiners	- Esso Petroleum Canada
Irving		- Irving Oil Limited
P.C.		- Petro-Canada
Shell		- Shell Canada Limited
Texaco		- Texaco Canada Inc.
Ultramar		- Ultramar Canada Inc.
D.N.R.E.		- Department of Natural Resources and Energy
Landry		- Alonzo Landry
N.S.P.U.B.		- Nova Scotia Public Utilities Board
P.E.I.P.U.C.		- Prince Edward Island Public Utilities Commission
P.M.A.		- Petroleum Monitoring Agency Canada
P.M.A.C.		- Petroleum Marketers Association of Canada
R.G.D.		- Retail Gasoline Dealers Association of New Brunswick

EXHIBIT 1.1

Moved By Hon. Mr. F. Dubé

Seconded By Mr. D. Bishop

RESOLVED that the question of petroleum marketing discussed in the report "Submission to the Senate Committee on Energy and Natural Resources by the Province of New Brunswick"* be referred to the Crown Corporations Committee; and that

The Committee

1) determine the gasoline price structure within the Province and its relationship to reasonable profit, transportation costs and taxation;

2) examine the differences in pricing between New Brunswick and Nova Scotia, New Brunswick and Quebec and New Brunswick and Ontario;

3) examine the extent of, and reasons for any price differential among the various communities and regions within New Brunswick;

4) invite the participation and public discussion with the Committee, of representatives of the major petroleum companies and representatives of the Petroleum Retailers Association;

5) undertake its study as quickly as possible, following adoption of this motion by the Legislative Assembly;

6) make an interim report to the government of New Brunswick as soon as possible, and a further full report to the next session of the Legislative Assembly.

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* Attached as Appendix 1.1.

1. INTRODUCTION

1.1. The Motion

The Committee was charged with this investigation by motion of the Legislative Assembly of New Brunswick on June 12, 1986 (Exhibit 1.1).

1.2. Background

Due to dissatisfaction with the high level of gasoline prices in the Province compared with neighbouring provinces, and the rapid rise in prices between June and December, 1985, the Minister of Natural Resources and Energy wrote to the six major suppliers of gasoline on February 25 and April 24, 1986. These letters, together with the replies from the companies, are attached at Appendices 1.2 and 1.3 respectively.

As the information contained in the companies' replies was considered to be inadequate, and in view of the high level of public interest in the subject, the Minister proposed an inquiry by a Legislative Committee as an appropriate way to determine what action, if any, should be taken to improve the position of gasoline purchasers in the Province.

1.3. The Committee Schedule

During the period June 18 to December 9, 1986, the Committee met, in public and private sessions, as shown at Exhibit 1.2.

1.4. Information

Information was provided by interveners both orally and in written form. Transcripts of the proceedings were produced by the Hansard Office and one copy is attached at Volumes 4-6. Written submissions of interveners are attached at Volume 2.

Additional information was provided by D.N.R.E. and is attached at Volume 3 and in the body of this report.

1.5. Scope of the Investigation

1.5.1. The Committee deemed it necessary to seek the opinions of a wider range of organizations and individuals than specified in section 4 of the Motion (Exhibit 1.1); this involved advertising for public input from retailers and consumers and an extension of the time necessary to complete the investigation.

1.5.2. Whereas the Motion refers specifically to gasoline pricing, the Committee included consideration of diesel and home heating oil in its investigation.

1.6. Interim Report

In accordance with section 6 of the Motion, an interim report was made to government on September 23, 1986 and is attached at Appendix 1.4.

EXHIBIT 1.2

SCHEDULE OF MEETINGS

	DATE P = Public C = Closed	ORGANIZATION APPEARING	REPRESENTATIVES	WRITTEN SUBMISSION REF., VOL.2
1.	18 June (C)	Committee	-	-
2.	24 June (P)	Committee	-	-
3.	8 July (C)	Committee	-	-
4.	9 July (P)	Retail Gasoline Dealers Association of New Brunswick	E. Meger	Exhibit 2.1
5.	15 July (P)	Petroleum Marketers Association of Canada	J. Conrad	Exhibit 2.2
6.	16 July (P)	Committee	-	-
7.	29 July (P)	Alonzo Landry	A. Landry	-
8.	30 July (P)	(a) Nova Scotia Public Utilities Board	R. Robertson	Exhibit 2.3
		(b) Prince Edward Island Public Utilities Commission	D. Pursey	Exhibit 2.4
9.	11 August (C)	Committee	-	-
10.	12 August (P)	Petro-Canada	G. Beauregard R. Tiffany G. Belisle	Exhibit 2.5
11.	14 August (P)	Esso Petroleum Canada	G. Thomson D. Penrose R. Henry	Exhibit 2.6
12.	20 August (P)	Shell Canada Limited	B. Bunting D. Pegg R. Williamson	Exhibit 2.7
13.	21 August (P)	Texaco Canada Inc.	D. Boucher D. Mitchell R. Hughes R. LeHir	Exhibit 2.8
14.	21 August (P)	Ultramar Canada Inc.	L. Woodruff W. Berry	-
15.	3 September (P)	Irving Oil Limited	A. Irving E. Sexton T. Cleary	Exhibit 2.9
16.	4 September (P)	Petroleum Monitoring Agency Canada	G. Reinecke	Exhibit 2.10
17.	18 September (C)	Committee	-	-
18.	25 November (P)	C.N. Pensioners' Association Hospitality New Brunswick	-	Exhibit 2.11
19.	27 November (C)	Committee	-	-
20.	9 December (C)	Committee	-	-

2. THE INQUIRY

The main aspect of the inquiry was the appearances before the Committee of the interveners listed at Exhibit 1.2.

The thrust of the submissions by interveners and of the questioning by the Committee was to gain a better understanding of the following six aspects of petroleum products marketing:

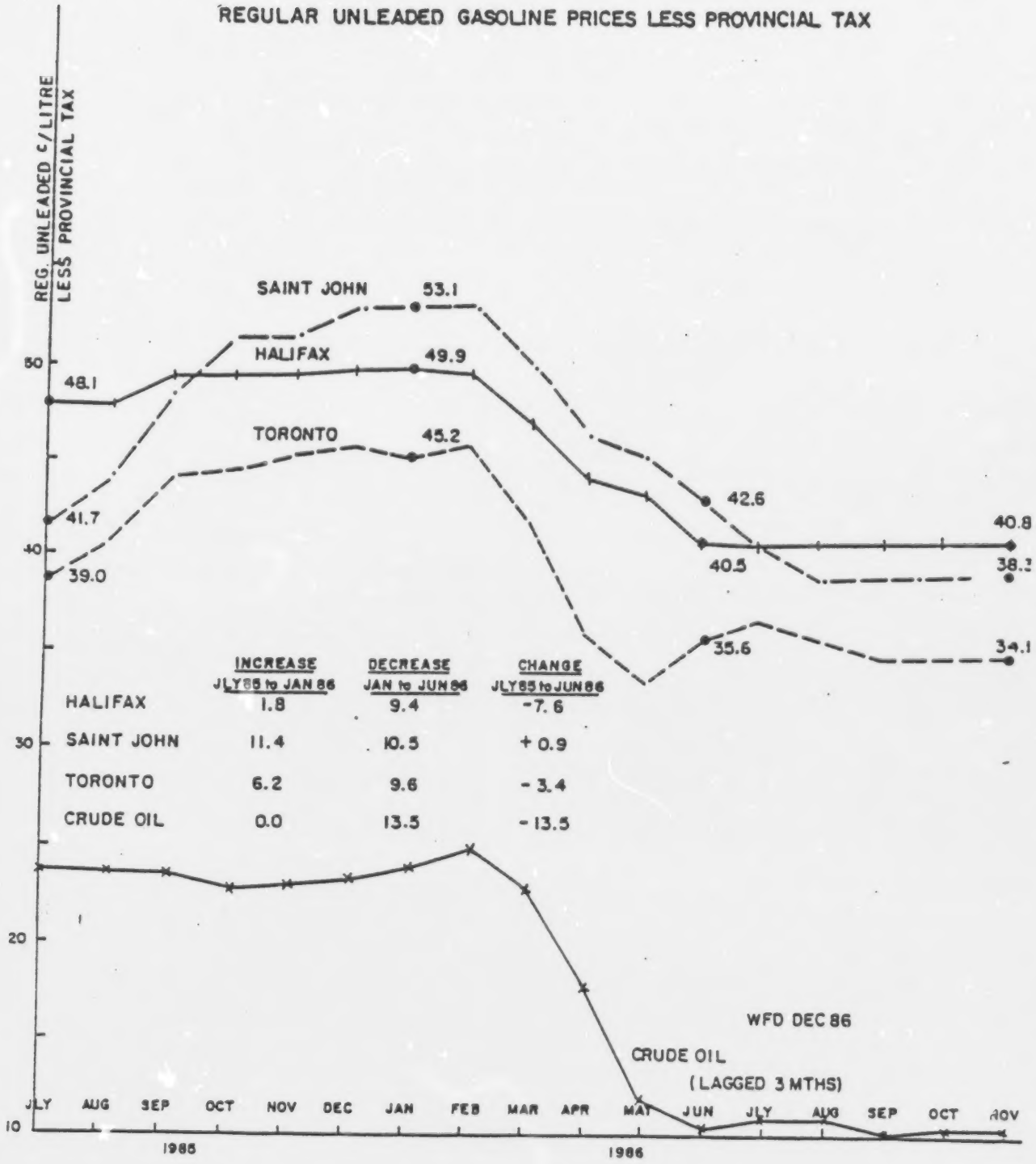
- price levels
- price differences between provinces
- price differences within the Province
- oil company profits
- regulation
- other related topics (pricing of heating oil, diesel, etc.)

Each of these subjects is dealt with in sections 2.1 to 2.6 below by summarizing the views of interveners, followed by the comments of the Committee.

Prices quoted, unless otherwise noted, are in cents per litre (¢/l) and refer to FULL SERVICE, REGULAR UNLEADED gasoline. This enables ready comparisons with Nova Scotia prices where self-service outlets are not allowed (nor are they permitted in Saint John). Unleaded gasoline is quoted as it is in highest demand in the Atlantic region, having 49.6 per cent of the market in 1985, with 43.8 per cent of regular leaded and 6.6 per cent of premium unleaded.

EXHIBIT 1.3

REGULAR UNLEADED GASOLINE PRICES LESS PROVINCIAL TAX



	INCREASE JLY85 to JAN 86	DECREASE JAN to JUN 86	CHANGE JLY85 to JUN 86
HALIFAX	1.8	9.4	-7.6
SAINT JOHN	11.4	10.5	+0.9
TORONTO	6.2	9.6	-3.4
CRUDE OIL	0.0	13.5	-13.5

2.1. Price Levels

This section of the investigation concentrated on three main issues:

- how prices are set
- price relationships between grades of gasoline
- price relationship between self-serve and full-service outlets

Exhibit 1.3 is referred to in this and succeeding sections and is based on StatsCanada and EMR data.

Gasoline is sold to retailers by the refiners, or others, at "wholesale" prices. The retailer sells at the pump at the wholesale price plus a "mark-up" or "retail margin".

Interveners' Comments

All refiners were adamant that price levels are determined by "market forces" and, in the short term, are not related to costs.

Market forces or factors affecting price levels were stated to include market share, number of competitive outlets, volume of throughput, level of service, location, availability of imported product, etc.

Refiners stated that they do not set the price, this being done by the retailer who adds his margin onto the wholesale price. Refiners also stated that if a particularly competitive situation occurs where a branded retailer's margin would be reduced too far or eliminated by meeting the market price, then the refiner may afford support. A "branded" retailer is contracted to sell only one refiner's brand of gasoline; an "independent" retailer who may buy from any source would have to meet all competitive price demands out of his margin.

R.G.D. indicated that branded dealers were told, by the refiner, at what price to sell.

While emphasizing that prices are "market driven", the refiners pointed out that crude oil takes 90-105 days to move from the point of purchase to the gasoline pump and that, as accounting practices in Canada require them to use a "first in, first out" method, the cost of gasoline at any time reflects crude costs of 3 to 3-1/2 months earlier. However the companies constantly stressed that the market, not crude or other costs, was the determining factor in gasoline prices.

The P.M.A.C. and Landry stressed the importance of independent retailers in bringing competition and lower prices to market areas. The role of independents, especially in times like February to June, 1986, when crude prices were falling and foreign product was readily available at competitive prices, was said to be the most important factor in producing low pump prices in southern Ontario.

Another factor required to achieve low prices was stated to be high volume per outlet which, in a defined market, relates directly to the number of outlets per thousand of population. Ultramar produced the information shown at Table 1.1 below which indicates a higher density of outlets in New Brunswick than in other eastern Canadian provinces, being 2-1/2 times greater than in Ontario.

TABLE 1.1

	1983 Thousands Population	Service Stations (1)	Thousands Population per Service Station
Quebec	6,524	5,290	1.23
New Brunswick	706	1,099	.64
P.E.I.	124	139	.90
Nova Scotia	859	928	.925
Newfoundland	577	636	.907
Ontario	8,816	5,578	1.580

(1) Oil Week - June 3, 1985 SOURCE: ULTRAMAR

Referring to the price differences between the three grades of gasoline, refiners had difficulty in determining, or stating, what the cost differences would be. A cost of 0.44 ¢/l for unleaded compared to leaded gasoline, suggested in a "Globe and Mail" article of August 7, 1986 (Appendix 1.5), was considered too low. Shell pointed out that a $90 million upgrading of its Montreal refinery was "mostly" for producing unleaded gasoline.

It was pointed out by some refiners and by P.E.I.P.U.C. that retailers do not necessarily look for the same margin on all grades, and may shorten the margin on the high profile leaded price and increase it on the largest selling unleaded.

The N.S.P.U.B. regulates all prices and presently allows a 1.8 ¢/l increase over leaded for regular unleaded and a further 1.0 ¢/l for premium unleaded. This compares with Fredericton price differences on December 1, 1986 of 3.3 and 2.2 ¢/l.

Interveners had little to say on the cost difference between "self-serve" and "full-serve" outlets; it was indicated that this depends on volume, extent of service, etc. P.E.I.P.U.C. permits dealer margins for full serve to be 1.0 ¢/l greater than for self serve. Esso indicated 1.4 to 2.4 ¢/l difference for service in Fredericton.

The small number of letters from private individuals and from the C.N. Pensioners' Association (Appendix 2.11) were unanimous in their opinions that prices in the Province are too high when related to prices in other areas and when considering the reduced price of crude oil.

Committee Comments

While refiners were clear in their statements that the market, not costs, dictated gasoline prices in the short term and they cautioned against a direct linkage of gasoline price to crude cost, it is evident that, in the long term, costs must govern price if a viable industry is to be maintained. Exhibit 1.3 shows clearly this general relationship between price and crude cost, which is the largest single item in the cost of gasoline; the schedule of price increases attached to the Shell presentation lists "increased operating costs" as reasons for price changes.

The Committee considers costs to be a major factor influencing prices but also recognizes the considerable short- and medium-term effects of the market place on prices. A striking example of such market influences is the low prices in New Brunswick adjoining the border with Maine, where a difference of 12 ¢/l or more may exist when compared with prices in Fredericton although the costs are virtually the same.

Interveners' comments indicate that a branded retailer's maximum margin may be 6 ¢/l but that most dealers realize margins in the 3-4 ¢/l range. This is supported by price breakdowns supplied by interveners as shown at Exhibit 1.4 and contained in the R.G.D. written submissions at Exhibit 2.1, Vol. 2.

EXHIBIT 1.4

BREAKDOWN OF GASOLINE PRICES

COMPANY LOCATION DATE	SHELL F'ton End '85	ESSO F'ton Jan. '86	PETROCAN Saint John Dec. '85	P.M.A.C.(1) Saint John Jan. '86	P.R.C.F.(2) N.B. Jan. '86
Pump Price	59.7	61.7	59.4	61.7	61.7
Federal Tax Prov. Tax	16.4	16.9	16.5	16.9	16.9
Crude Oil	27.1	24.1	25.3	23.2	24.7
Dealer	4.4	4.5	4.0	3.0(1)	3.3
Refiner	11.8	16.2	13.6	18.6	16.8

DATE	June '86	July 28/86	July 21/86
Pump Price	51.7	50.4	43.9
Taxes	17.2	15.5	15.5
Crude Oil	14.1	11.6	13.2
Dealer	6.1	5.0	3.1
Refiner	14.3	18.3	12.1

Note: (1) PMAC gives a figure of 6 ¢/l for "rack to retail" margin. This is allocated arbitrarily at 3 ¢/l to each of the dealer and refiner.

(2) Petroleum Resources Communication Foundation. See Minister's letter of February 25, 1986 at Appendix 1.2.

In view of this small proportion of the pump price which can be affected by the retailer, and considering many statements by retailers that they are told by the refiners at what price to sell, the Committee considers the pump price to be, in effect, set by the refiners, except in the case of totally independent dealers.

Exhibit 1.5 shows the price differences between grades of gasoline and between self-serve and full-serve outlets.

The Halifax grade difference between regular leaded and unleaded is regulated at 1.8 cents. The New Brunswick differences are close to those of Toronto averaging about 3.0 ¢/l presently, the slightly higher level in Toronto probably being due to the depressed prices for leaded gas in southern Ontario. A further 2 ¢/l difference appears between regular and super unleaded.

A check carried out on December 4, 1986 at outlets in Maine showed a grade difference of 0.7 ¢/l between regular leaded and unleaded and of 7.4 ¢/l between regular and super unleaded.

The Committee could not easily determine the cost difference between grades, and believes the price differences to be more influenced by marketing considerations than costs.

Similarly, a fairly wide range in the additional costs for full-service over self-service of from 0.1 to 1.7 ¢/l indicates that marketing is the main factor influencing these price differences although average volume per outlet will also have a considerable effect on costs.

EXHIBIT 1.5

	Difference (¢/l) Regular leaded - Regular unleaded				Difference (¢/l) Full serve - Self serve(1)			
	Jan.85	Jul.85	Jan.86	Jul.86	Jan.85	Jul.85	Jan.86	Jly.86
Halifax (2)	1.8	1.8	1.8	1.8	-	-	-	-
Saint John (2)	2.0	2.0	2.5	3.1	-	-	-	-
Moncton	2.2	2.8	2.5	2.9	0.3	0.7	0.3	1.7
Toronto	2.5	2.6	3.0	3.4	0.8	0.1	0.7	1.0

Notes

(1) Regular unleaded
(2) Self-serve outlets are not permitted in Halifax or Saint John

Source: StatsCanada

PRICE OF REGULAR LEADED GASOLINE
PRIX D'ESSENCE ORDINAIRE AVEC PLOMB

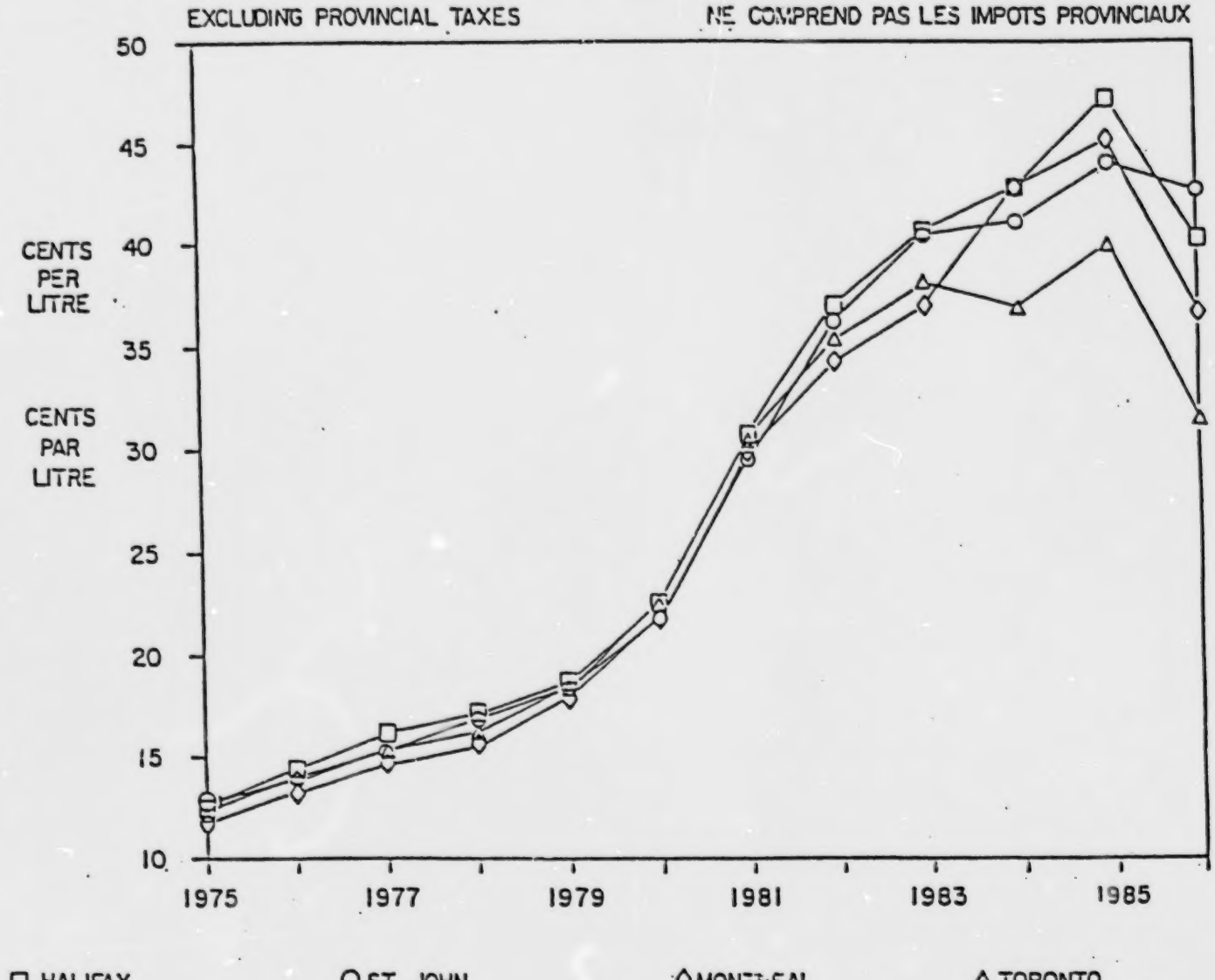


EXHIBIT 1.6

2.2. Price Differences Between Provinces

The motion (Exhibit 1.1) at paragraph 2 required the Committee to examine the reasons for differences between prices in New Brunswick and the three Provinces of Nova Scotia, Quebec and Ontario.

The graph at Exhibit 1.6 indicates the relative prices in the major cities of the four Provinces from 1975-1986. It should be noted that in this instance regular LEADED gasoline prices are compared, as UNLEADED was not produced in the earlier years.

The Committee, and interveners, concentrated on only three areas in Canada, i.e. New Brunswick (Saint John), Nova Scotia (Halifax) and Ontario (Toronto) because of the easy access to information in the Maritimes and of the availability of a recent study on gasoline pricing by the Province of Ontario.

Interveners' Comments

Gasoline prices in Nova Scotia have been regulated since 1934, effectively at the wholesale and retail levels; the number of outlets and times of opening are also specified by N.S.P.U.B.

The method of determining the regulated price is by employing consultants to estimate the cost of crude, refining and distribution, and setting that as the maximum wholesale price. Several regions in the Province have regulated prices which differ only by an allowance for increased transportation from Halifax/Dartmouth.

Applications for increases in maximum wholesale prices must be made to the N.S.P.U.B. which then determines the price for all three grades of gasoline and for other petroleum products. Gasoline can be sold below the regulated maximum price at the will of the wholesaler or retailer.

Self-serve outlets are not allowed in Nova Scotia, and the Government requires a minimum standard of service to be available at stations. The granting of licences to operate service stations is determined on the basis of "public convenience and necessity". The number of outlets has been reduced from 1500 to 860 in the period 1976 to 1986. The N.S.P.U.B. employs five inspectors to check on the standards required of service outlets.

One apparent result of regulation of dealer margins was pointed out to be a much lower turnover of station operators than in New Brunswick. This opinion was confirmed by Irving.

EXHIBIT 1.7

REGULAR UNLEADED GASOLINE
(Full Service)

PUMP PRICE LESS PROVINCIAL TAX
(Cents/Litre)

DATE	SAINT JOHN	TORONTO	VARIANCE
1981 January	28.2	29.0	(0.8)
July	33.3	34.9	(1.6)
1982 January	35.5	37.5	(2.0)
July	38.5	37.7	0.8
1983 January	39.5	40.4	(0.9)
July	43.3	41.4	1.9
1984 January	44.0	43.3	0.7
July	43.6	42.7	0.9
1985 January	46.5	44.9	1.6
July	41.7	39.0	2.7
1986 January	53.1	45.2	7.9
February	53.2	45.8	7.4
March	50.2	41.9	8.3
April	46.3	35.9	10.4
May	45.2	33.3	11.9
June	42.6	35.6	7.0
July			

SOURCE: Derived from STATSCAN

N.S.P.U.B. acknowledged that, as shown at Exhibit 1.6, prices in its area have traditionally been higher than in the other three Provinces except for the period October '85 to July '86 when New Brunswick prices became highest. The assertion that regulation, as carried out in Nova Scotia, tends to produce higher prices in the long term was not disputed.

Exhibit 1.7 indicates the difference in prices between Saint John and Toronto from January, 1981 to the present.

Interveners pointed to four main reasons for recent price differences between New Brunswick and Southern Ontario areas:

- the size of the Toronto/southern Ontario market
- the number of refineries close to the area
- close proximity to the U.S. border with ability to bring in low-cost products
- the presence of large independent retailers.

The size of the Ontario market, with a lower density of outlets than New Brunswick, allows for much higher volume stations with consequently lower costs; this encourages independents to locate. When prices in the U.S. are low, the independents bring in U.S. products and reduce prices.

The high volume in the area permits the use of low-cost product pipelines for transportation, while large volume outlets permit larger loads and other transportation and operational efficiencies.

Refiners pointed out the importance of loading a refinery to the highest degree possible as unit costs fall rapidly with increasing throughput. This leads to competition between refineries to maintain or increase market share.

Several refiners and P.M.A.C. stressed the importance of the availability of products from the U.S. and that when crude prices decline, U.S. gasoline prices decline before those in Canada because of the use of F.I.F.O. (first in, first out) accounting procedures in Canada and L.I.F.O. (last in, first out) in the U.S. Because of this, during the rapid decline of crude prices in the first half of 1986, gasoline prices in the U.S. have been much lower than in Canada and retailers, particularly independents in southern Ontario, have brought in large volumes of gasoline forcing prices down.

The P.M.A.C. information (Vol. 2, Exhibit 10) includes cost estimates showing that Toronto costs should be 1.0 ¢/l greater than in Saint John. This contrasts, however, with the opinion of the N.S.P.U.B. spokesman who considers a 5-7 ¢/l greater cost than in Toronto is appropriate for the Atlantic region. Shell indicated the costs in New Brunswick to be "a couple" of cents higher.

Committee Comments

The Committee considers the gasoline market in New Brunswick to be similar to the markets in mid- and southern Ontario.

The Saint John area is similar, except in size, to the Toronto area, being the largest centre of population in the Province and immediately adjacent to a large refinery. Refining, distribution and retailing costs should vary little, and the Committee believes this to be confirmed by the comparisons of prices in the two cities until the end of 1985 as shown at Exhibit 1.7.

Other cities and towns in the two provinces can be compared in view of their similar sizes, distances from refineries, access to a number of competing refineries, availability of marine terminals, distance from U.S. border markets, etc., as shown in Table 1.2 below:

TABLE 1.2

	New Brunswick Locations	Equivalent Ontario Locations
1.	Saint John area	Toronto area
2.	Fredericton, Moncton, Sussex, Shediac	Barrie, Bancroft, Renfrew, Orillia, Smiths Falls
3.	Newcastle, Chatham, Woodstock, Sackville, Chipman, Minto, Blackville, Doaktown, Hartland, Florenceville	Parry Sound, Bracebridge, Huntsville, Pembroke
4.	North Shore, Edmundston, Grand Falls, etc.	Sudbury, North Bay, Sturgeon Falls, Deep River, South River, Mattawa, Pewassan, Callander

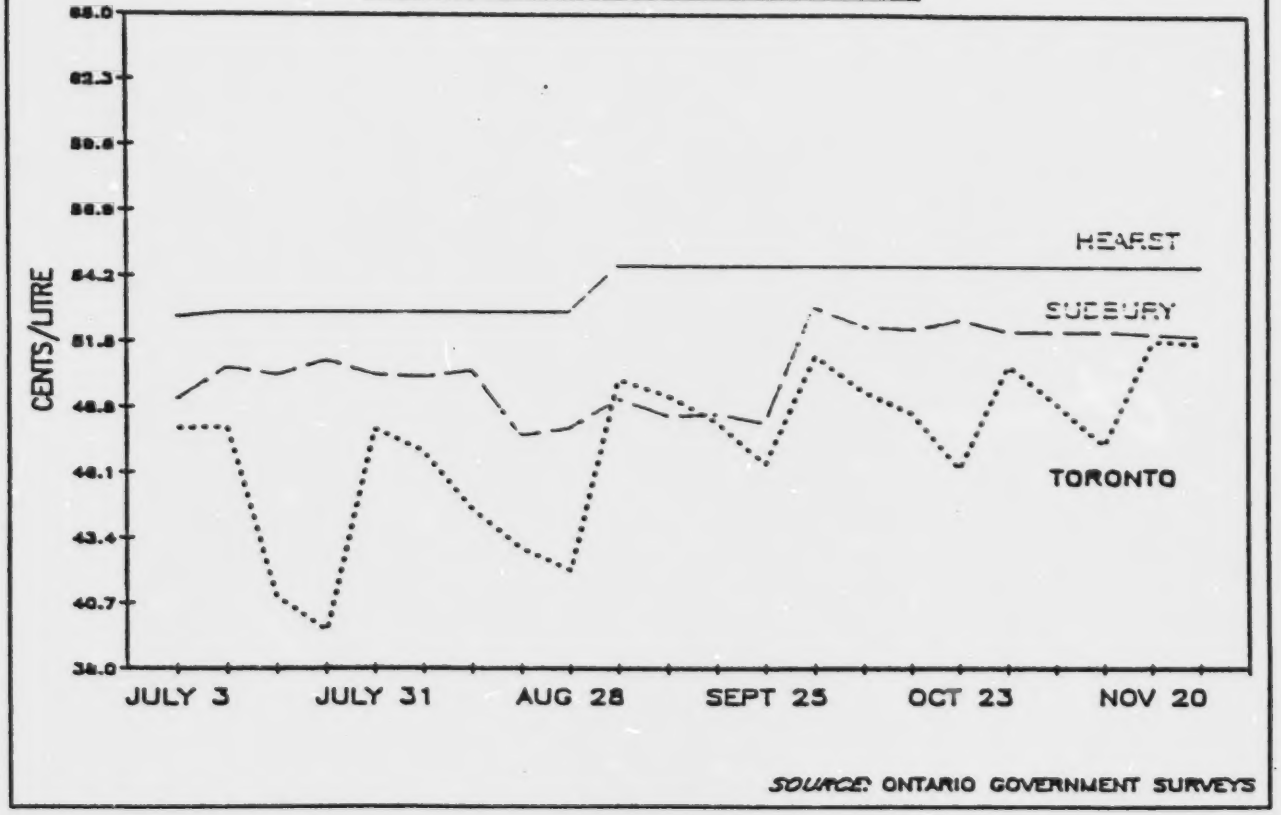
The Committee accepts the differences between the Southern and Northern Ontario markets as set out in the "North-South Gasoline Pricing Study" of the government of Ontario (Exhibit 3.3, Vol. 3) and believes that similar logistic and geographic differences exist in New Brunswick between the Saint John area and the remainder of the Province.

The reduction in efficiency, associated with lower volumes per outlet, smaller truck loads, etc., as distance from the refineries and large population centres increases, is considered to affect, in a similar manner, the regions and communities in each Province, as listed in Table 1.2.

The Committee considers that the markets in the two areas are different in only two respects, firstly the New Brunswick market is not served by large independent retailers and secondly, that the number of outlets per capita is greater in New Brunswick, as shown at Table 1, leading to lower throughputs per station.

The reasons for the difference in prices between Saint John and Toronto since mid-1985 following many years of similar prices, as shown at Exhibit 1.3, was not adequately explained by the four refiners who appeared after the exhibit was produced on August 19. The Committee cannot find any valid reason for prices to increase in Saint John by 11.4 ¢/l between July, 1985 and January, 1986 while Toronto prices rose by 6.2 ¢/l. Indeed, in view of the fact that crude oil prices varied little in that time, it can see no reason for increases at either location.

Figure 2.3
NORTHERN ONTARIO
RETAIL GASOLINE PRICES



SOURCE: ONTARIO GOVERNMENT SURVEYS

EXHIBIT 1.8

Similarly the Committee has found no reasonable explanation as to why, during the twelve-month period from July '85 to June '86, when crude oil prices decreased by 13.5 ¢/l, gasoline prices in Saint John increased by 0.9 cents.

The Committee notes that in the Ontario study (Exhibit 3.3, Vol. 3), as shown at Figures 2.3 to 2.7 of that report (an example is shown at Exhibit 1.8 opposite), the response of the southern area to "market forces" causes constant surges and recessions which do not occur to the same extent in mid-Ontario and not at all in the North.

The New Brunswick gasoline market does not, in the opinion of the Committee, have the one main ingredient of competition which appears necessary to produce the constant struggle for the customers' favours which is apparent in southern Ontario, namely the presence of large independent jobbers and/or retailers.

2.3. Price Differences Within the Province

Much discussion by the Committee and interveners centred on the wide variance of gasoline prices within the Province.

EXHIBIT 1.9

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK
September 8, 1986

Cents Per Litre

City		Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel
1	Fredericton	50.4	52.4	55.0	46.2
2	Saint John	43.9	46.9	47.9	50.0
3	Moncton	49.6	52.3	54.0	40.5
4	Bathurst	46.3	48.3	51.3	39.9
5	Edmundston	38.8	40.5	42.8	38.9
6	Chatham-Newcastle	44.0	46.3	48.9	41.8
7	Campbellton	48.9	51.0	54.1	45.3
8	Woodstock	40.8	42.8	46.8	38.5
9	Sussex	46.6	48.1	53.9	49.9
10	Sackville	47.6	50.9	----	----
11	St. Stephen	40.9	46.9	43.1	50.9
12	Tracadie	44.0	46.0	48.0	37.6

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1	Halifax-Dartmouth	46.7	48.5	49.5	47.9
2	Yarmouth	48.0	49.8	50.8	49.2
3	Truro	47.3	49.1	50.1	48.2
4	New Glasgow	47.8	49.6	50.6	49.0
5	Port Hawkesbury	47.8	49.6	50.6	49.0
6	Sydney	47.8	49.6	50.6	49.0
7	Victoria	48.6	50.4	51.4	49.8

D.N.R.E. conducted a simple weekly telephone survey during the period the Committee was in session. Three to five outlets, selected at random, were called in each of the major centres and one in small communities; the results shown are simple averages and are included at Appendix 1.6 with a copy of one sheet at Exhibit 1.9 for ease of reference. The prices for diesel should be used with caution as a very wide range in single communities (over 20 ¢/l) may produce averages which vary widely from actual pump prices.

Interveners' Comments

Several refiners remarked that they experience difficulties with their public image, because if gasoline prices are different in adjacent areas they are questioned as to why this is so; if the prices are not different, they are accused of collusion.

Esso and Irving pointed to variations in other commodities - milk, potatoes, beer, etc., and indicated that price differences are part of the free market system and there was nothing wrong in such a system. Refiners indicated that low prices across the border in Maine had forced them to give support to their retailers along the border in New Brunswick. At prices of 38-40 ¢/l, they stated they were losing money in these areas.

In responding to numerous questions relating to the wide variation of prices in the Province, the refiners were unable to define any reason but referred to "market forces" which are, or may be, different in different areas. Typical remarks were:

> "All I can say is that the competitive market forces there are stronger than here" - Petro-Canada.
>
> "Then you move back into that other element called market factors" - Esso.
>
> "I have no other explanation than the fact that competitive forces have put the price down..." - Shell.
>
> "In fact it is the competitive situation in any given market which determines the price with respect to gasoline" - Irving.

Relating to so-called "price wars", and in particular to the sudden lowering of prices in Saint John in June, 1986, none of the refiners could identify a reason or indeed who started the "war". It was pointed out that if a particular retailer wishes to increase his market share, or maintain his share against new competition, then he may reduce his price and others must follow. Esso and Shell indicated that they had led prices downward in recent months on a country-wide basis, but that they had not started local price wars.

No reason could be given by the refiners for the high prices in many cities of the Province, particularly why Fredericton had about the highest prices in Canada. Reference was made to the

findings of the Ontario study, that in the north where volumes per outlet are lower, the retailer relies for profit on other commodities and services and is therefore less aggressive towards gasoline sales. Similarly in smaller communities there is often a personal friendship and loyalty to retailers by customers which reduces the importance of price and competition. It was considered that these same factors may well apply to New Brunswick.

Petro-Canada suggested that the prices in Fredericton were not too high, but that all the others were too low to allow companies to make a reasonable profit.

Refiners refuted the suggestion that high prices in some areas of the Province were "subsidizing" the border areas where prices are said to be too low to return a profit. Similarly they dismissed a suggestion that motorists in New Brunswick and other parts of the region are subsidizing the people of Ontario.

Committee Comments

The argument that price differences in gasoline were analogous to differences in the price of other commodities was not accepted by the Committee. Members reasoned that in any community one could "shop around" for most of the commodities quoted and find quite wide cost differences, while with gasoline, the prices in a community were generally the same.

The Committee noted that the variation in New Brunswick prices ranged up to 14 ¢/l while in the regulated environment in Nova Scotia the range was 1.9 ¢/l. Also, in the Ontario study, the average variation between north and south was 4.2 ¢/l and approximately 2 ¢/l between mid- and south Ontario.

One aspect in which the Ontario and New Brunswick markets appear to differ is that the larger communities in New Brunswick often have higher prices than rural areas, while the Ontario study found the reverse:

The Committee was unable to determine why such large variations in price occur in the Province. The level of prices at the low end of the scale is understandable, being set to compete with prices over the border in Maine. That the high end of the scale, Fredericton, should be among the highest prices in Canada, cannot be directly related to costs, being only 100 km from the largest refinery in the country. Fredericton has a population and number of gasoline outlets which can be expected to be highly competitive, but that is not the case. The Committee can only conclude the obvious, that there is insufficient incentive for the refiners and retailers to move off the virtual one price system. It follows that lower priced gasoline which surrounds Fredericton at about a 50 km radius is sufficiently distant to deter Fredericton motorists from leaving the city to "fill up". The same situation appears to exist in other cities but at lower price levels. The high density of outlets in New Brunswick, coupled with low volumes, does not appear to spur competition.

EXHIBIT 1.10

Appendix A-7

RATES OF RETURN: CANADIAN PETROLEUM INDUSTRY

	1981	1982	1983	1984	1985	Five-Year Average
			%			
RETURN ON AVERAGE CAPITAL EMPLOYED						
UPSTREAM						
Canadian-Controlled Companies	7.1	6.1	3.3	5.4	4.5	5.3
Foreign-Controlled Companies	6.8	8.9	12.7	11.4	10.8	10.1
Total Industry	7.0	7.1	6.7	7.7	7.0	7.1
DOWNSTREAM[a]						
Canadian-Controlled Companies	5.6	(1.7)	(4.0)	1.9	(0.9)	0.2
Foreign-Controlled Companies	12.7	4.7	0.2	3.6	3.0	4.8
Total Industry*	10.1	2.4	(1.3)	3.0	1.6	3.2
TOTAL OPERATIONS[b]						
Canadian-Controlled Companies	7.4	2.9	(0.5)	5.2	3.3	3.7
Foreign-Controlled Companies	8.6	6.8	7.9	8.4	7.6	7.9
Total Industry	7.9	4.4	3.4	6.4	5.0	5.4
**Memo:* *National Refiners/Marketers*	8.3	1.3	(1.9)	2.8	0.8	2.3
Regional Refiners/Marketers	14.1	4.9	0.3	3.5	3.6	5.3
RETURN ON AVERAGE EQUITY						
CANADIAN OPERATIONS						
Canadian-Controlled Companies	12.1	5.5	(0.6)	7.0	3.6	5.5
Foreign-Controlled Companies	11.7	9.7	11.7	12.4	11.0	11.3
Total Industry	11.9	7.6	5.3	9.6	7.3	8.3
TOTAL OPERATIONS[b]						
Canadian-Controlled Companies	12.0	2.7	(1.8)	7.6	3.7	4.8
Foreign-Controlled Companies	11.7	9.6	11.6	12.4	10.9	11.2
Total Industry	11.8	6.1	4.6	9.9	7.2	7.9

NOTES: (a) Downstream, in this table, represents oil products operations only, i.e. it excludes petrochemical and other downstream operations.

(b) Upstream, downstream, other Canadian and foreign operations.

The Committee believes that the lack of motivation for change on the part of the refiners and their retailers stems from the absence of true "independent retailers" who drive the market in southern Ontario.

2.4 Oil Company Profits

Interveners' Comments

Most of the refiners stressed the unsatisfactory level of profits in the industry and this was supported in the evidence of P.M.A.C. with total industry results for the last five years as shown at Exhibit 1.10.

Of the companies represented in the Southern Ontario market, all except Texaco stated that it was unprofitable.

Only Esso was able to indicate its return on investment in the Atlantic area and stated this to be around 8.5% during the last three years, while for the same period it was indicated that "Eastern Canadian operations lost money".

EXHIBIT 1.11

SDAY, OCTOBER 29, 1986 REPORT ON

Refining, marketing among few winners in Canadian oil sector

BY DENNIS SLOCUM
The Globe and Mail

The Canadian oil industry has one bright spot and the lustre may be fleeting. Refining and marketing of petroleum products — so-called downstream operations — posted a sensational profit turnaround in the third quarter.

With profit margins rising to levels not seen since 1979-80, Toronto-based Imperial Oil Ltd. and Texaco Canada Inc., two of Canada's largest integrated petroleum companies, came close to making as much profit from refined products as they did in all of 1985.

Imperial Oil's downstream profit in the latest three months was $90-million, compared with $16-million in the year-earlier quarter and $93-million for all of 1985.

The reason? Refiners finally began processing lower-cost crude during the July-September period and imports of cheap U.S. refined product were very limited. Prices on refined products have dropped less than crude oil prices and consequently profit margins — which had shown some improvement in the second quarter — ballooned.

Refining operations have been the weak sister for a number of years in generating adequate profits. With return on investment in the downstream sector coming in at less than 2 per cent in 1985, the integrated oil companies are taking advantage of this year's drop in world oil prices to expand margins.

While some observers believe that the turnaround in refining will last at least through the first half of 1987 and possibly for years, others argue that the most recent three months were special. Customers who postponed buying last spring were restocking inventories.

Total sales volume of refined product in the third quarter was about even with year-earlier levels and any easing in demand could trigger price wars, particularly in the large, highly competitive Ontario market.

Philippe Hervieu of Toronto-based Nesbitt Thomson Deacon Inc. is optimistic about profit margins, but he cautioned that the extent of the improvement will depend on developments in Ontario.

The impact of wider margins is dramatic for oil company profits. Each 1-cent improvement in refining margins translates into many millions of dollars for oil refiners.

Mr. Hervieu has noted that net margins for Canadian refiners will improve this year and a further gain is forecast for 1987. He is assuming that the price of crude oil will average $20 (Canadian) a barrel in 1986 and $25 in 1987.

The odds that refining margins will remain relatively stable for the balance of the year increased when the Organization of Petroleum Exporting Countries extended its interim production agreement until year-end. If OPEC had not agreed, world oil prices — and refining margins — would have collapsed again.

However, oil prices have weakened somewhat this week on reports that Saudi Arabia — the world's largest oil exporter — is selling its oil at a discount.

Periods of declining oil prices erode refining margins. Product prices fall faster than lower-cost crude can be transported through the pipeline distribution system — a process that can take up to 90 days or more. Until the beginning of May, Canadian refiners were forced to take significant inventory losses.

Moreover, there is strong price competition from U.S. refiners, who hold less inventory and account for purchases of crude oil feedstock on the LIFO (last in, first out) accounting, which allows the most recently purchased cheap crude to be processed first. Canadian refiners use FIFO (first in, first out) accounting.

Douglas Weber of Toronto-based Bache Canada Inc. is one analyst that has turned cautious. "Things are going to get tougher in the fourth quarter," he said, noting that demand is flat and companies will have to fight for market share. And if oil prices collapse, the companies will face the threat of cheaper product coming in from the United States, he added.

Robert Plexman of Montreal-based Lévesque Beaubien Inc. anticipates further refinery closings if the industry is to achieve a return on average capital of between 9 and 12 per cent.

While refining has captured the spotlight, over-all profits of the large integrated oil companies remain under pressure from slumping wellhead prices. And decontrol of the Canadian natural gas industry on Nov. 1 will weaken gas prices and put further downward pressure on resource profit.

Imperial Oil, for example, reported third-quarter profit of $103-million or 63 cents a share, compared with $152-million or 93 cents a share before an unusual charge of $45-million a year earlier.

Committee Comments

The Committee considers that the satisfactory return indicated by Esso for the Atlantic Provinces probably reflects the position of other companies operating in New Brunswick, but questions to other companies regarding regional or provincial profitability did not receive satisfactory answers.

The appearances before the Committee took place in the third quarter of 1986, and representatives would be relying on information to the end of July or thereabouts; it is presumed that their comments on profitability generally reflected the results of the first two quarters of the year.

The "Globe and Mail" article attached at Exhibit 1.11 reports a dramatic increase in downstream profits in the third quarter with "margins rising to levels not seen since 1979-80". A study of Exhibit 1.3 indicates that the margin between crude costs and pump price (less provincial tax) in Toronto, since June, is at a higher level than for some time and that the similar margin for Saint John is 4 to 4.5 ¢/l greater (Fredericton 10+ ¢/l greater).

The Committee notes that in the written submission, at Table VII, Esso indicates that Return on Capital Employed by Imperial Petroleum Products was as follows:

1979	11.6%
1980	18.8%
1981	15.6%

EXHIBIT 1.12

AVERAGE PUMP PRICE FOR REGULAR UNLEADED GASOLINE IN CANADA
NOVEMBER, 1986
CENTS PER LITRE

Prov.	Retail Price	Provincial Fuel Taxes	Federal Sales and Excise Taxes	Crude Oil	Refining Marketing & Retailing
Nfld.	53.8	9.2	7.62	11.3	25.68
P.E.I.	48.3	8.2	7.62	11.3	21.18
N.S.	49.1	8.2	7.62	11.3	21.98
N.B.	48.2	8	7.62	11.3	21.28
Que.	53.5	14.4	7.62	10.1	21.38
Ont.	43.9	8.3	7.62	13.3	14.68
Man.	47.6	8	7.62	12.8	19.18
Sask.	39.2	----	7.62	12.7	18.88
Alta.	38.7	----	7.62	12.5	18.58
B.C.	45.8	6.14	7.62	13	19.04

1. Retail price provided by P.R.C.F.
2. Provincial fuel taxes, federal sales and excise taxes and crude oil costs provided by EMR.

Relating present margins to returns of this order leads the Committee to the assumption that margins in the huge Ontario market must now be adequate or that margins in other areas are excessive.

Margins for each province, based on average retail prices supplied by the Petroleum Resources Communication Foundation, are shown at Exhibit 1.12 and bear out the comparison in Exhibit 1.3.

The Committee notes that the discussion of prices in cents per litre can lead to the impression that differences are small; but that due to the large volumes involved, small unit price differences involve considerable sums of money. For New Brunswick, a difference of 1 ¢/l on the following products has the effect shown:

Gasoline	$10	million per year
Diesel	$ 4	" " "
Home Heating Oil	$ 4.5	" " "

2.5 Regulation

Nova Scotia and P.E.I. are the only two provinces in Canada which regulate gasoline distribution.

Through the Public Utilities Board, Nova Scotia regulates the maximum wholesale price, the dealer or retailer's margin and the number and standard of service stations.

P.E.I. regulates the dealer's margin and the number of stations through its public utilities commission and reviews, but does not regulate, wholesale prices.

Interveners' Comments

Refiners, Landry and P.M.A.C. were strongly opposed to regulation of prices. Mr. Landry expressed confidence that independents could compete easily with the "majors" and advised a completely free market system.

Irving stated that it would not oppose licensing of new stations on the basis of convenience and necessity. (Irving brand outlets account for approximately 50% of the total with Imperial in second place with approximately 19%.)

R.G.D. suggested that maximum and minimum dealer margins should be regulated and that new outlets should be authorized only on demonstration of public convenience and necessity. The Association was particularly concerned that its members could not be sure from day to day what their margin would be and therefore could not budget or plan for more than a short term as they were at the mercy of the refiners.

One answer of the N.S.P.U.B. representative before the Committee is most worthy of note:

> "As I said, I would not want to recommend that you get into full scale regulation. The problem is that it is easy to regulate, but it is very difficult to deregulate. That is the problem we have in Nova Scotia."

Committee Comments

Regulation as discussed by and with interveners was assumed to be as practised in Nova Scotia, which historically has led to higher prices than in most non-regulated areas and which requires a considerable administrative cost and effort.

The Committee gained the impression from refiners that while they are opposed to regulation and would not welcome it, the higher prices as in Nova Scotia would make the system tolerable.

One aspect of regulation in Nova Scotia which appeared to be universally condemned was the limitation of the hours and days of opening by N.S.P.U.B.

2.6. Other Related Topics

The following topics were either discussed by or brought to the attention of the Committee.

Interveners' Comments

The matter of promotional activities in the gasoline market was raised by R.G.D., and it was pointed out that most dealers (except independents) must take part in these activities of the refiner and often must contribute to the cost.

P.E.I.P.U.C. permits only those promotional activities which are funded fully by the refiner.

Prices of diesel fuel were discussed with refiners and R.G.D., particularly the wide range of prices, even within the same city; a 22 ¢/l spread was at one time noted in Fredericton.

DIESEL FUEL PRICES FOR SELECTED CITIES
JULY 1985 – NOVEMBER 1986
PROVINCIAL TAXES EXCLUDED

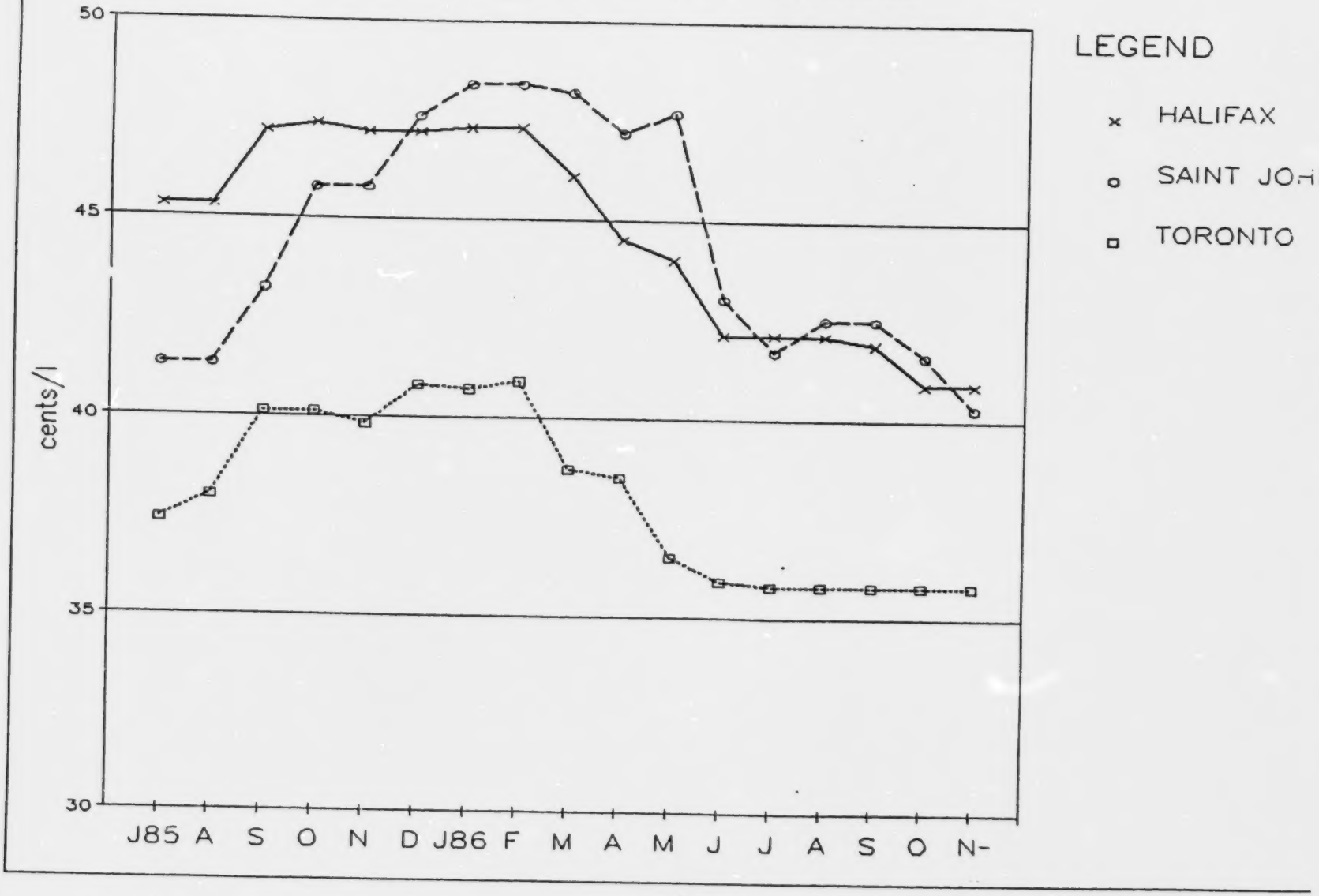


EXHIBIT 1.13

Refiners pointed to the influence of the TransCanada Highway on diesel prices; Fredericton generally has lower diesel prices than Saint John, although the reverse is true of gasoline. They also indicated that the wide range is probably due to comparing a truckstop on the TransCanada Highway to a station with a small tank for supplying automobiles only. Exhibit 1.13 was prepared based on EMR and StatsCan data and indicates similar relationships to gasoline pricing but with a greater difference between Toronto and Saint John.

The relationship of home heating oil prices in the three areas (Exhibit 1.14) shows a smaller price spread up to the end of 1985 with Saint John generally the most expensive. Since the decline in crude prices started early in 1986, the "gap" has widened with Saint John prices presently approximately 4 ¢/l higher than both Halifax and Toronto.

Committee Comments

The Committee is of the opinion that any promotional activities should be funded fully by the company or individual requiring the promotion to be carried out.

Concerning both diesel and home heating oil, the Committee does not see any reason, based on costs, why New Brunswick prices should be significantly higher than those in mid- and Southern Ontario.

FURNACE OIL PRICES IN SELECTED CITIES
July 1985 – November 1986
Crude Oil lagged 90 days

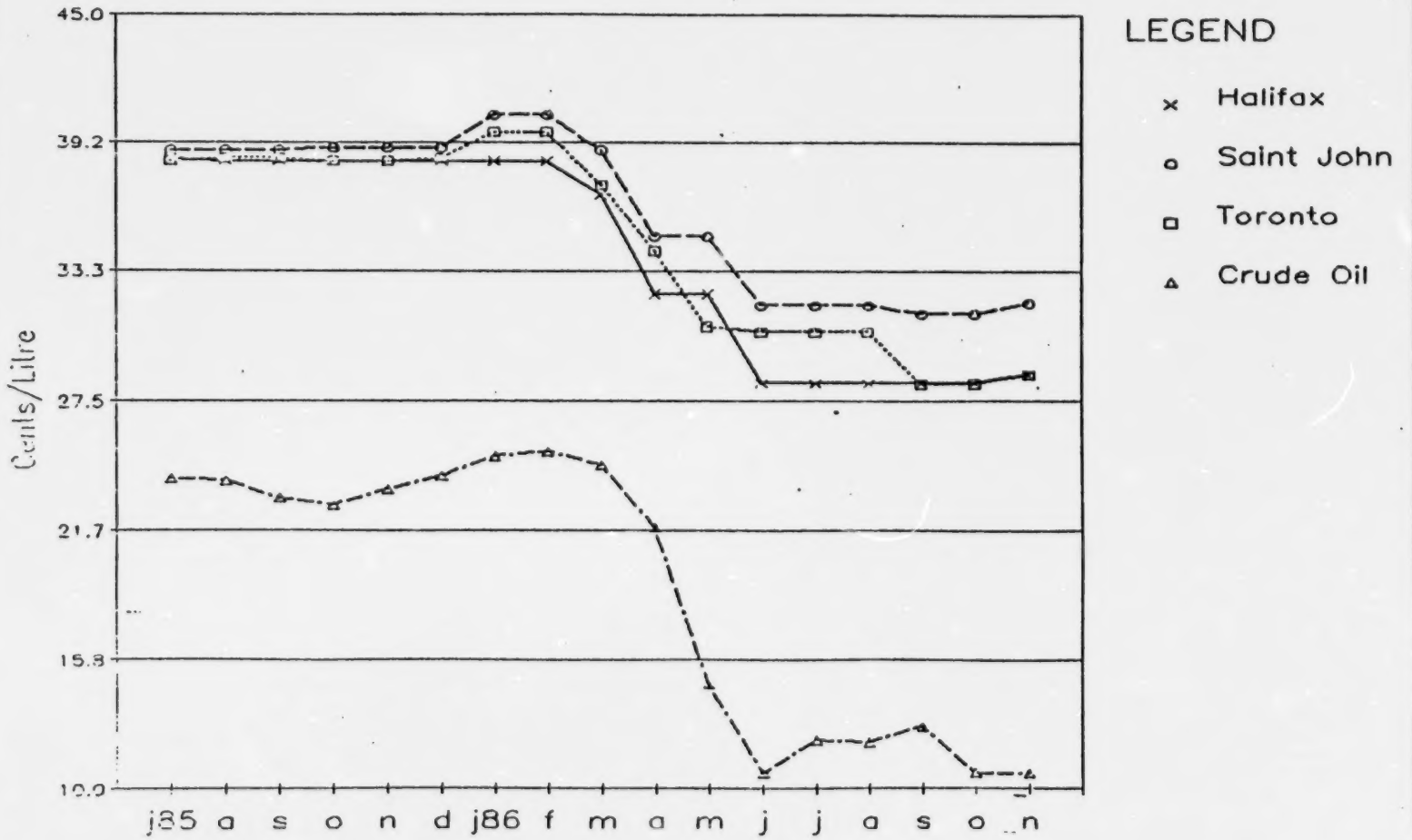


EXHIBIT 1.14

3. CONCLUSIONS

The Committee has reached the following conclusions:

3.1. That effective control of product prices rests with refiners who supply the area and with large independent jobbers and/or retailers who operate in the area.

3.2. That the markets and costs of products in Ontario and New Brunswick are similar in similar locations and that, historically, prices have differed very little between Saint John and Toronto until the end of 1985.

3.3. That the wide differences in prices, since the end of 1985, between similar Ontario and New Brunswick locations is probably due to the presence in Ontario of large and very competitive jobbers who took advantage of falling crude prices and lower U.S. product prices to exert pressure on the major refiners.

3.4. That the charging of higher prices than in Ontario for petroleum products in New Brunswick is unwarranted from a cost point of view, and imposes an unfair burden on consumers in New Brunswick.

3.5. That whatever prices are applicable to Ontario should be applicable to similar locations in New Brunswick.

4. RECOMMENDATIONS

The Committee makes the following recommendations:

4.1. That independent jobbers and retailers be encouraged to locate in the Province to bring increased competition to the market.

4.2. That legislation be drafted at a time no later than required for presentation to the 5th Session of the 50th Legislative Assembly of New Brunswick which would enable regulation of petroleum products marketing broadly as outlined at Appendix 1.7.

APPENDICES

Appendix 1.1 - Submission to the Senate Committee on Energy and Natural Resources by the Province of New Brunswick.

Appendix 1.2 - Minister's letter of February 25 to refiners and replies.

Appendix 1.3 - Minister's letter of April 25 to refiners and replies.

Appendix 1.4 - Interim report of Committee.

Appendix 1.5 - "Globe and Mail" article re gasoline grade prices.

Appendix 1.6 - Weekly gasoline price survey reports.

Appendix 1.7 - Outline of a system of regulation of petroleum products markets.

APPENDIX 1.1

SUBMISSION TO THE SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES

by

THE PROVINCE OF NEW BRUNSWICK

MAY 1986

Honourable Malcolm N. MacLeod
Minister of Forests, Mines & Energy

The government of New Brunswick applauds the Senate Subcommittee on Energy for your timely investigation of petroleum marketing in Canada and is thankful for the opportunity to present its views on the subject.

The process of transforming crude oil from its emergence at wellhead into useful products and marketing those products to the various groups of consumers is very complex: It involves oil producers, pipeline companies, refiners, wholesalers and retailers. The three levels of government are also involved at different stages through taxation, issuing of permits and price regulation.

In New Brunswick there is only one refinery, the Irving Oil refinery in Saint John, but all major national oil companies are involved in the marketing of oil products in the Province. At the present there are 12 licensed wholesalers, namely:

Irving Oil Ltd.
Imperial Oil Ltd.
Texaco Canada Inc.
Shell Canada Limited
Petro-Canada Products Inc.
Ultramar
Co-op Atlantic
Sunoco Inc.
Metro Fuel Co. Ltd., (affiliated with Imperial Oil Ltd.)
Atlantic Speedy Propane (affiliated with Irving Oil Ltd.)
Superior Propane Ltd. (affiliated with Gulf Industries)
Fundy Energy Limited (affiliated with Petro-Canada Products Inc.)

They operate 135 bulk plants and supply petroleum products to 1,317 retailers and 40 independent distributors. Refiners, wholesalers, distributors and retailers are all licensed under the Gasoline and Motive Fuel Tax Act (Section 15 and Regulations 19-26).

New Brunswick's policy on the pricing of petroleum products is consistent with the approach of the majority of provinces: the prices of petroleum products are not regulated either at the wholesale or retail level. New Brunswick offers a favourable climate for business activity and provides an environment conducive to the creation of wealth through private enterprise.

The marketing system of petroleum products in New Brunswick operated in an orderly fashion for a long time. As shown in Annex 1, during the period from 1975 to 1982 the retail price of gasoline in Saint John, net of provincial fuel taxes, was very close to that in Toronto, Montreal and Halifax. Since retailers' margins usually differ by no more than one cent per litre, and crude costs were fairly uniform across the country, the similarity in retail prices net of provincial fuel taxes implied that refiners' costs and margins were also uniform. That uniformity no longer exists.

The recent collapse of world oil prices has created great instability in the petroleum industry. Integrated oil companies experiencing losses in their upstream operations may be raising mark-ups downstream, thus failing to pass the full benefits of lower crude prices to consumers. Declining demand for petroleum products may be pushing up unit refining and marketing costs. Competitive

conditions vary greatly among provinces and among the various regions of a given province. For example, retailers operating close to the United States border are faced with stiffer competition than those located in the interior. As a result of all those factors, wide disparities in the retail prices of petroleum products among provinces and even within a province have developed within the past six months.

The price differentials that exist at the present are not only excessive and bear no relationship to differences in costs, but are punitive to the residents of the less populated provinces where the small size of the market does not allow competitive forces to operate effectively.

For example, in the last week of April 1986 a resident of Fredericton paid 43.7 cents for one litre of regular leaded gasoline plus provincial fuel tax, while a resident of Toronto paid 31.6 cents. This difference of 12.0 cents per litre or 55 cents per gallon is almost as large as the total price of gasoline in 1975.

On a province-wide basis the average gasoline price difference between New Brunswick and Ontario is at present about 10 cents per litre. That means that the average New Brunswick motorist who drives 20 000 kilometers per year with a car that consumes 13 litres per 100 kilometers would pay $260 more than the Ontario motorist with similar driving habits.

A larger differential exists between gasoline prices in New Brunswick and the Eastern United States. In the last week of April

1986 the retail price of regular leaded gasoline net of federal and states taxes in Boston was the equivalent of 22 Canadian cents per litre. Federal and provincial taxes in New Brunswick in that period were 17.3 cents per litre. If Canadian fuel taxes were added to the net costs of gasoline in Boston, gasoline would sell in New Brunswick for 39.3 cents per litre, or 14.6 cents per litre less than in Fredericton, and 13.6 cents per litre less than in Saint John.

The large gap between gasoline prices in New Brunswick and Ontario cannot be explained by crude cost differentials. In February 1986 the acquisition cost of crude in Eastern Canada was only one cent per litre more than in Ontario.

That gap cannot be created by higher refining costs. Part of the gasoline sold in New Brunswick is refined in other provinces; moreover, according to the Petroleum Marketers Association of Canada (PMAC) refinery costs of efficiently run refineries, are uniform at about 3.0 cents per litre.

Oil companies have pointed out that transportation and distribution costs are about one cent per litre higher in smaller market areas such as New Brunswick and that dealers' margins may also be about one cent per litre higher.

If all the above extra costs were actually imposed on oil companies operating in New Brunswick, they would only add up to about 3 cents per litre. The balance -- 9.1 cents per litre between Fredericton and Toronto, or about 7.0 cents per litre between New

Brunswick and Ontario on the average -- can be explained only in terms of higher prices charged by oil companies to dealers in New Brunswick.

The gross difference between the New Brunswick and Ontario gasoline prices is nearly equal to the provincial fuel tax on gasoline. This means that at the present time oil companies are extracting from New Brunswick motorists through excess charges almost the same amount that the provincial government receives in fuel taxes on gasoline. If this price difference persisted for an entire year it would impose an extra burden in excess of $100 million on the New Brunswick motorists as compared to Ontario motorists.

Since the difference in gasoline prices between New Brunswick and Ontario is largely unrelated to costs, it implies that oil companies are in effect exercising price discrimination on a regional basis, in a manner consistent with the relative competitive position of the various markets. It is the exploitation of market power by oil companies and not cost differentials that creates the current gasoline price differential between New Brunswick and Ontario.

The above conclusion finds support in a study of the components of gasoline prices conducted by the Petroleum Marketers Association of Canada. According to that study, the actual price of gasoline in January 1986 was higher than the "competitive" price by 19.9 cents per litre in Saint John and by 9.3 cents per litre in

Toronto. Of the 10.6 cents per litre price differential between Saint John and Toronto, 9.4 cents per litre was due to excessive prices from the refiner to the retailer.

Not only are gasoline prices higher in New Brunswick than in Ontario, but they have not responded as promptly to the lower crude oil prices. From October 1985 to April 1986 the price of gasoline net of provincial taxes fell by 10 cents per litre in Toronto and by only 6.5 cents per litre in Saint John.

This lagged and less than full response of gasoline prices to changes in oil prices did not occur when prices were increasing during the 1979-82 period. At that time gasoline prices were raised within sixty days of the crude price increase and the amount of the increase was fairly uniform throughout the country.

New Brunswickers shared with other Canadians the burden of rising oil prices; they are now entitled to the full benefits of lower oil prices.

The practice by oil companies of exploiting their market power in the Atlantic region and imposing an above-average financial load on people already burdened with below average incomes is intolerable. This practice must be discontinued and the oil companies' power over prices curtailed.

We have been concerned about the high cost of gasoline for some time. We have expressed our concern to the major oil companies and invited them to discuss the issue of petroleum marketing with us. Their responses also cited unequal competitive conditions as a

primary cause of price differentials.

We believe that the market, when allowed to operate without controls, is an effective mechanism for setting relative prices and allocating resources. But what we have now in the case of petroleum products is an ineffective market, whose functioning is seriously hampered by lack of competition.

Imposing price controls at the provincial level is neither a direct nor an effective approach to the problem. In provinces where it has been tried, it has not resulted in lower prices. For example, gasoline prices net of provincial taxes in the regulated market of Halifax have been higher than in the unregulated market of Saint John for the past ten years, with the exception of the last six months.

If the main reason for higher gasoline prices in New Brunswick is the lack of competition, then the most direct and most effective solution to the problem is to weaken the barriers to competition and allow the market to do its job unimpeded. The authority to deal with matters of competition, and the responsibility to do so in the interest of all Canadians, rests with the federal government. The federal government should not tolerate a market structure where the lack of competition is exploited by the oil companies to impose an excessive financial load on the residents of a region already burdened with a lack of petroleum resources, a total dependence on foreign oil supplies, and below average incomes.

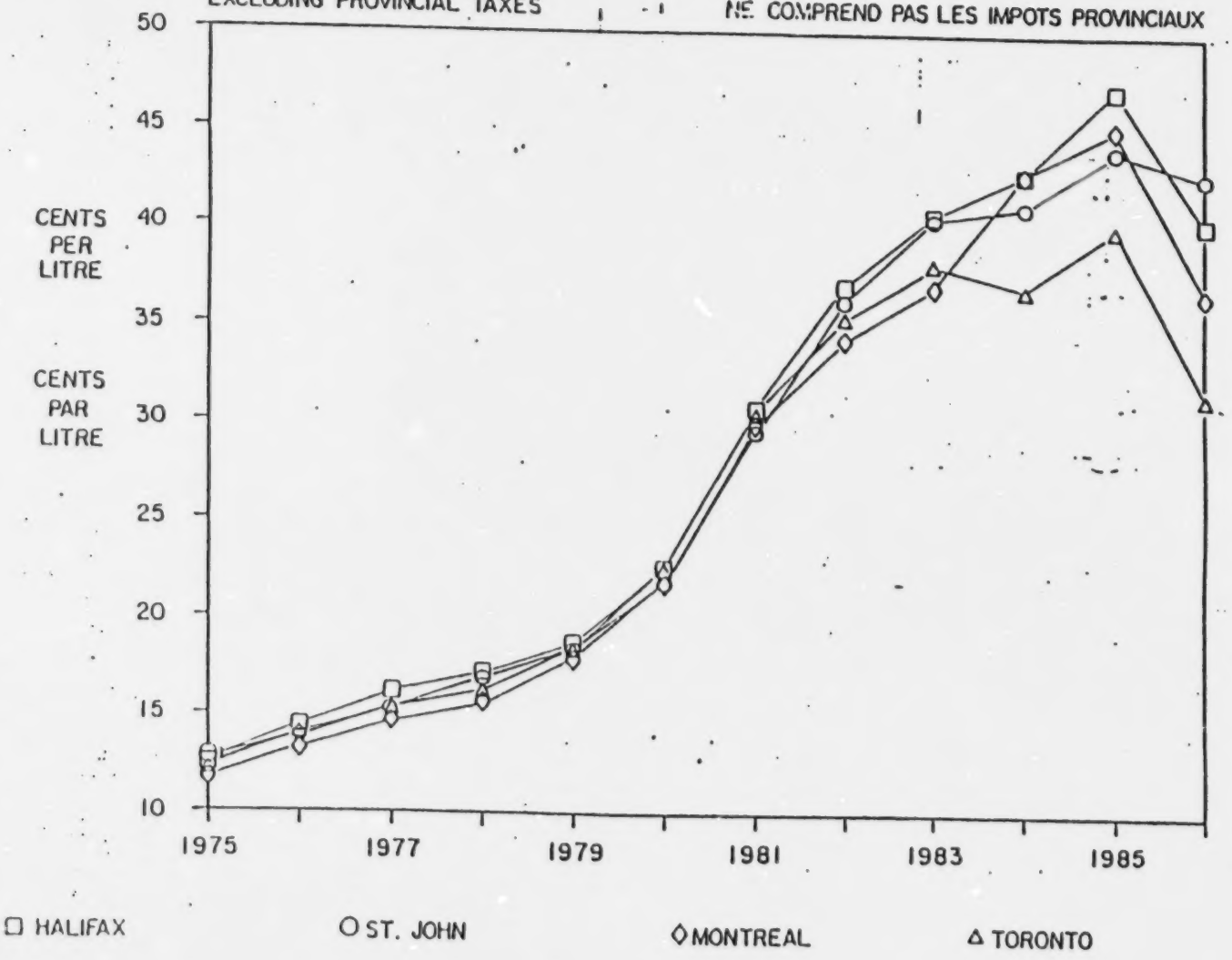
The Restrictive Trade Practices Commission has been conducting an investigation into issues related to petroleum marketing for the past five years. Their final report is soon to be presented to the federal minister of Consumer and Corporate Affairs. We hope that this report will include a set of recommendations to reduce any existing barriers to competition and that the government of Canada will implement the recommendations.

We also hope that your committee's investigation will expose these discriminatory pricing practices and recommend appropriate action that will prevent overcharging the consumers in low income provinces in the future.

The oil companies have a financial responsibility to their shareholders. The government of Canada has a responsibility for the wellbeing of all Canadians. It cannot stand idle and watch the oil companies pursue the interests of their shareholders on the backs of consumers in the low income provinces. We urge the federal government to exercise its power against restrictive trade practices and do all it can do to ensure that New Brunswick consumers do not pay high petroleum product prices that result from a lack of competition in the market place.

PRICE OF REGUL R LEADED GASOLINE
PRIX D'ESSENCE ORDINAIRE AVEC PLOMB

EXCLUDING PROVINCIAL TAXES — NE COMPREND PAS LES IMPOTS PROVINCIAUX



LEGISLATIVE ASSEMBLY OF NEW BRUNSWICK
P.O. BOX 6000, FREDERICTON, N.B.
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E3B 5H1

APPENDIX 1.4

September 23rd, 1986.

Hon. Malcolm N. MacLeod
Minister of Natural Resources and Energy
P. O. Box 6000
Fredericton, New Brunswick
E3B 5H1

Dear Mr. MacLeod:

I attach, for the information of government, a progress report relating to the investigation of gasoline pricing by the Standing Committee on Crown Corporations.

Yours sincerely,

David A Bishop

DAVID BISHOP, MLA
Chairman.

encl.

Interim Report by the Standing Committee on Crown Corporations

Relating to Gasoline Pricing

1. On June 12, 1986, the Standing Committee on Crown Corporations (the Committee) was instructed to investigate gasoline pricing in the Province, by motion of the Legislative Assembly (Exhibit 1.1).

2. Since that time, the Committee has met on 18 occasions with 12 supply companies and other organizations as shown at Exhibit 1.2.

3. At the meeting on September 18, 1986, the Committee reviewed its progress and the requirements of the motion.

   It was noted that none of the companies or organizations which had appeared before the Committee to that date, represented the demand, or user, side of the gasoline business or individual retailers.

   During appearances before the Committee, statements from the supply companies pointed to "market forces" as the main factor in setting gasoline prices.

   In view of the importance of gasoline users and retailers in responding to, or creating the "market forces", and of the absence of direct statements from them, the Committee considers it important to rectify this omission by inviting them to make written submissions and/or to appear before the Committee to present their views.

   The Committee has therefore arranged for advertisement of its invitation; a time limit of October 31, 1986, has been set for written submissions.

4. It is considered probable, as a consequence of this, that further appearances may be requested and take place during November. The determination of the conclusions and recommendations of the Committee and the production of a final report may not therefore be complete until the end of December, 1986.

5. The Committee is sensible of its mandate to "make an interim report to government" and to "undertake its study as quickly as possible". However, the Committee is unable to reach conclusions or make recommendations at this time in view of the lack of information from gasoline users and retailers. It was therefore resolved that this brief progress report be submitted to government at this time, to be followed by the final report in December 86/January 87.

APPENDIX 1.6

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK
December 15, 1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel	Furnace Oil
1 Fredericton	50.7	54.2	55.4	46.5	32.6
2 Saint John	44.0	46.9	47.5	49.4	33.0
3 Moncton	48.0	50.4	52.3	41.2	32.8
4 Bathurst	44.1	46.5	49.9	39.3	32.5
5 Edmundston	38.7	41.1	42.1	39.4	31.3
6 Chatham-Newcastle	43.9	46.5	50.1	39.9	33.0
7 Campbellton	48.5	51.2	53.7	41.2	----
8 Woodstock	41.7	43.7	47.9	38.0	----
9 Sussex	47.6	48.6	54.6	39.1	----
10 Sackville	48.9	51.9	----	----	----
11 St. Stephen	46.2	48.8	49.4	48.9	----
12 Tracadie	41.9	43.9	44.8	36.3	----

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	48.7	50.5	51.5	50.0	29.8
2 Yarmouth	50.0	51.8	52.8	51.3	31.1
3 Truro	49.3	51.1	52.1	50.3	30.4
4 New Glascow	49.8	51.6	52.6	51.1	30.9
5 Port Hawksbury	49.8	51.6	52.6	51.1	30.9
6 Sydney	49.8	51.6	52.6	51.1	30.9
7 Victoria	50.6	52.4	53.4	51.8	31.7

SURVEY OF GASOLINE PRICES IN HOULTON AND CALAIS, MAINE

1 HOULTON	34.2	34.5	38.6	0.0	23.5
2 CALAIS	34.1	34.5	38.6	34.1	22.5

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK
December 8,1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel	Furnace Oil
1 Fredericton	50.3	53.8	55.2	47.1	32.6
2 Saint John	45.3	48.3	49.5	48.9	33.0
3 Moncton	48.3	50.6	52.8	41.2	32.8
4 Bathurst	44.1	46.5	49.9	39.3	32.5
5 Edmundston	38.7	41.1	42.1	39.4	31.3
6 Chatham-Newcastle	43.9	46.5	50.1	39.9	33.0
7 Campbellton	49.6	52.3	55.4	41.2	----
8 Woodstock	41.8	43.8	47.8	38.0	----
9 Sussex	48.2	41.9	55.6	39.1	----
10 Sackville	48.9	51.9	----	----	----
11 St. Stephen	46.2	48.8	49.4	48.9	----
12 Tracadie	41.9	43.9	44.8	36.3	----

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	48.7	50.5	51.5	50.0	29.8
2 Yarmouth	50.0	51.8	52.8	51.3	31.1
3 Truro	49.3	51.1	52.1	50.3	30.4
4 New Glascow	49.8	51.6	52.6	51.1	30.9
5 Port Hawksbury	49.8	51.6	52.6	51.1	30.9
6 Sudney	49.8	51.6	52.6	51.1	30.9
7 Victoria	50.6	52.4	53.4	51.8	31.7

SURVEY OF GASOLINE PRICES IN HOULTON AND CALAIS, MAINE

1 HOULTON	34.2	34.5	38.6	----	23.5
2 CALAIS	34.1	34.5	38.6	34.1	22.5

GASOLINE PRICES FOR TORONTO, WIDNSOR, DETROIT AND CALAIS
DECEMBER 8, 1986

Can. Cents per Litre

CITY	REGULAR LEADED	REGULAR UNLEADED	PREMIUM UNLEADED	STATE/PR TAXES	FEDERAL TAX
1 TORONTO, ONT.	39.8	42.8	43.8	8.3	7.7
2 WINDSOR, ONT.	40.6	43.6	44.8	8.3	7.7
3 DETROIT, MICH.*	27.6	29.0	35.6	6.0	3.7
4 CALAIS, ME.*	34.1	34.5	38.6	4.8	3.7

* The Can/US exchange rate for December 8, 1986 is 1.3910.
1 US gallon = 3.785 litres

The crude oil price for Montreal is 13.3 cents/litre because EMR has lagged the crude oil flow through period by 110 days for western crude oil rather than 100 days for Ontario. Foreign crude oil is lagged 100 days for the Maritimes.

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK
December 1,1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel	Furnace Oil
1 Fredericton	50.9	54.2	56.4	48.1	32.6
2 Saint John	45.3	48.3	49.5	48.9	33.0
3 Moncton	48.5	50.8	52.9	39.9	32.8
4 Bathurst	44.9	47.3	50.6	39.3	32.5
5 Edmundston	38.7	41.1	42.1	39.4	31.3
6 Chatham-Newcastle	42.9	45.7	49.6	39.9	33.0
7 Campbellton	49.6	52.3	55.4	41.2	----
8 Woodstock	41.8	43.8	47.8	38.0	----
9 Sussex	48.2	41.9	55.6	39.1	----
10 Sackville	48.9	51.9	----	----	----
11 St. Stephen	46.2	48.8	49.4	48.9	----
12 Tracadie	41.9	43.9	44.8	36.3	----

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	48.4	50.2	51.2	49.6	29.8
2 Yarmouth	49.7	51.5	52.5	50.9	31.1
3 Truro	49.0	50.8	51.8	49.9	30.4
4 New Glascow	49.5	51.3	52.3	50.7	30.9
5 Port Hawkesbury	49.5	51.3	52.3	50.7	30.9
6 Sudney	49.5	51.3	52.3	50.7	30.9
7 Victoria	50.3	52.1	53.1	51.5	31.7

SURVEY OF GASOLINE PRICES IN HOULTON AND CALAIS, MAINE

1 HOULTON	35.5	36.2	39.1	----	23.6
2 CALAIS	34.3	35.1	39.1	34.7	22.6

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK
November 24, 1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel	Furnace Oil
1 Fredericton	50.9	54.5	56.0	48.1	32.6
2 Saint John	43.9	45.4	49.5	48.9	33.0
3 Moncton	48.5	50.8	52.9	39.9	32.8
4 Bathurst	43.9	46.6	49.9	39.3	32.5
5 Edmundston	38.7	41.1	42.1	39.4	31.3
6 Chatham-Newcastle	42.9	45.7	49.6	39.9	33.0
7 Campbellton	49.6	52.3	55.4	41.2	----
8 Woodstock	41.8	43.8	47.8	38.0	----
9 Sussex	48.2	41.9	55.6	39.1	----
10 Sackville	48.9	51.9	----	----	----
11 St. Stephen	46.2	48.8	49.4	48.9	----
12 Tracadie	41.9	43.9	44.8	36.3	----

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	48.4	50.2	51.2	49.6	29.8
2 Yarmouth	49.7	51.5	52.5	50.9	31.1
3 Truro	49.0	50.8	51.8	49.9	30.4
4 New Glascow	49.5	51.3	52.3	50.7	30.9
5 Port Hawksbury	49.5	51.3	52.3	50.7	30.9
6 Sydney	49.5	51.3	52.3	50.7	30.9
7 Victoria	48.3	52.1	53.1	51.5	31.7

Bill

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK
November 10, 1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel
1 Fredericton	49.0	52.4	54.0	46.4
2 Saint John	43.3	46.2	47.5	49.8
3 Moncton	47.0	49.5	51.2	39.9
4 Bathurst	43.4	45.9	48.3	39.3
5 Edmundston	37.8	39.8	40.8	39.6
6 Chatham-Newcastle	42.8	45.8	50.3	37.1
7 Campbellton	47.6	50.5	53.6	39.9
8 Woodstock	39.8	41.8	45.8	43.6
9 Sussex	46.0	47.8	51.9	49.9
10 Sackville	47.9	50.5	----	----
11 St. Stephen	38.2	43.1	46.5	49.9
12 Tracadie	39.9	41.9	42.8	39.7

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	46.6	48.4	49.4	47.8
2 Yarmouth	47.9	49.7	50.7	49.1
Truro	47.2	49.0	50.0	48.1
ew Glascow	47.7	49.5	50.5	48.9
5 Port Hawkesbury	47.7	49.5	50.5	48.9
6 Sydney	47.7	49.5	50.5	48.9
7 Victoria	48.5	50.3	51.3	49.7

SURVEY OF GASINE PRICES ACROSS NEW BRUNSWICK
November 17, 1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel	Furnace Oil
1 Fredericton	49.1	52.0	54.1	46.4	31.0
2 Saint John	43.3	46.3	47.5	50.4	31.4
3 Moncton	47.5	49.2	51.1	39.9	31.2
4 Bathurst	42.9	45.6	48.4	39.3	30.9
5 Edmundston	37.9	39.8	40.9	39.4	29.7
6 Chatham-Newcastle	42.9	45.5	50.3	39.9	31.9
7 Campbellton	48.3	50.9	54.2	39.9	----
8 Woodstock	39.8	41.8	45.8	43.6	----
9 Sussex	46.0	47.4	51.9	49.9	----
10 Sackville	47.9	50.5	----	----	----
11 St. Stephen	38.8	40.9	42.5	49.5	----
12 Tracadie	39.9	41.9	42.8	39.7	----

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	48.6	50.4	51.4	49.8
2 Yarmouth	49.9	51.7	52.7	51.1
3 Truro	49.2	51.0	52.0	50.1
4 New Glascow	49.7	51.5	52.5	50.9
Port Hawksbury	49.7	51.5	52.5	50.9
6 Sydney	49.7	51.5	52.5	50.9
7 Victoria	48.5	52.3	53.3	51.7

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK
November 3, 1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel
1 Fredericton	49.0	52.4	54.0	46.4
2 Saint John	43.4	46.3	47.5	49.5
3 Moncton	46.9	49.6	51.3	39.9
4 Bathurst	43.1	45.9	48.6	36.8
5 Edmundston	37.9	39.8	41.3	39.6
6 Chatham-Newcastle	43.5	45.8	50.6	39.9
7 Campbellton	48.0	80.6	53.7	45.0
8 Woodstock	39.8	41.8	45.8	43.6
9 Sussex	46.0	47.8	51.9	49.?
10 Sackville	47.9	50.5	----	----
11 St. Stephen	38.2	43.1	46.5	49.9
12 Tracadie	40.9	42.0	44.0	39.7

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	46.6	48.4	49.4	47.8
2 Yarmouth	47.9	49.7	50.7	49.1
3 Truro	47.2	49.0	50.0	48.1
4 New Glascow	47.7	49.5	50.5	48.9
ort Hawksbury	47.7	49.5	50.5	48.9
ydney	47.7	49.5	50.5	48.9
7 Victoria	48.5	50.3	51.3	49.7

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK
October 20, 1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel
1 Fredericton	49.5	52.2	54.1	43.8
2 Saint John	43.5	46.4	47.5	48.9
3 Moncton	48.5	50.5	52.0	37.2
4 Bathurst	43.5	46.1	48.6	37.1
5 Edmundston	38.2	41.2	41.6	38.1
6 Chatham-Newcastle	43.5	45.0	49.5	38.8
7 Campbellton	48.5	50.7	53.7	45.0
8 Woodstock	39.8	41.8	45.8	39.9
9 Sussex	46.0	47.4	51.4	49.9
10 Sackville	47.9	50.5	----	----
11 St. Stephen	38.8	41.6	43.1	49.9
12 Tracadie	40.9	42.0	46.0	37.9

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	46.4	48.2	49.2	47.6
2 Yarmouth	47.7	49.5	50.5	48.9
3 Truro	47.0	48.8	49.8	47.9
4 New Glascow	47.5	49.3	50.3	48.7
5 Port Hawksbury	47.5	49.3	50.3	48.7
6 Sydney	47.5	49.3	50.3	48.7
7 Victoria	48.3	50.1	51.1	49.5

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK
October 27, 1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel
1 Fredericton	49.3	51.7	53.3	43.8
2 Saint John	43.4	46.3	47.5	48.9
3 Moncton	48.3	50.8	52.1	39.9
4 Bathurst	42.9	45.7	48.7	36.8
5 Edmundston	38.2	40.8	41.5	39.9
6 Chatham-Newcastle	42.6	46.6	50.3	35.8
7 Campbellton	47.8	50.7	54.3	45.0
8 Woodstock	40.8	42.8	46.8	39.9
9 Sussex	46.0	47.4	51.4	49.9
10 Sackville	47.9	50.5	----	----
11 St. Stephen	38.8	41.5	43.1	49.9
12 Tracadie	40.9	42.0	44.0	37.9

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	46.4	48.2	49.2	47.6
2 Yarmouth	47.7	49.5	50.5	48.9
3 Truro	47.0	48.8	49.8	47.9
4 New Glascow	47.5	49.3	50.3	48.7
5 Port Hawksbury	47.5	49.3	50.3	48.7
6 Sydney	47.5	49.3	50.3	48.7
7 Victoria	48.3	50.1	51.1	49.5

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK
October 14, 1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel
1 Fredericton	49.4	52.2	54.0	42.7
2 Saint John	43.5	46.4	47.5	49.8
3 Moncton	48.5	50.8	52.0	37.2
4 Bathurst	43.2	45.9	48.2	39.9
5 Edmundston	38.2	40.6	41.4	36.5
6 Chatham-Newcastle	43.0	45.8	50.5	38.8
7 Campbellton	47.9	50.6	53.7	45.0
8 Woodstock	40.8	42.8	43.9	39.9
9 Sussex	46.0	47.4	51.4	49.9
10 Sackville	47.9	50.5	----	----
11 St. Stephen	38.8	41.6	43.1	49.9
12 Tracadie	40.9	42.0	46.0	37.9

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	46.6	48.4	49.4	47.8
2 Yarmouth	47.9	49.7	50.7	49.1
3 Truro	47.2	49.0	50.0	48.1
4 New Glasgow	47.7	49.5	50.5	48.9
5 Port Hawksbury	47.7	49.5	50.5	48.9
6 Sydney	47.7	49.5	50.5	48.9
7 Victoria	48.5	50.3	51.3	49.7

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK
October 6, 1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel
1 Fredericton	49.5	53.0	54.3	43.4
2 Saint John	43.5	46.4	47.5	52.1
3 Moncton	48.7	51.1	53.1	37.2
4 Bathurst	44.1	46.7	49.0	37.6
5 Edmundston	38.2	40.2	41.6	36.5
6 Chatham-Newcastle	43.2	46.7	52.3	37.2
7 Campbellton	48.9	51.4	54.3	44.5
8 Woodstock	39.9	41.9	43.9	36.5
9 Sussex	46.5	48.0	53.9	49.9
10 Sackville	47.6	50.9	----	----
11 St. Stephen	39.4	41.6	43.1	50.6
12 Tracadie	44.0	46.0	48.0	37.6

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	46.6	48.4	49.4	47.8
2 Yarmouth	47.9	49.7	50.7	49.1
3 Truro	47.2	49.0	50.0	48.1
4 New Glascow	47.7	49.5	50.5	48.9
5 Port Hawksbury	47.7	49.5	50.5	48.9
6 Sydney	47.7	49.5	50.5	48.9
7 Victoria	48.5	50.3	51.3	49.7

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK
October 1, 1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel
1 Fredericton	49.9	52.7	54.3	44.0
2 Saint John	43.7	46.6	47.9	50.8
3 Moncton	48.8	51.5	52.8	37.7
4 Bathurst	45.3	47.1	49.9	37.6
5 Edmundston	38.8	40.8	41.5	36.5
6 Chatham-Newcastle	43.5	46.3	52.3	36.7
7 Campbellton	48.9	51.2	54.3	44.4
8 Woodstock	40.9	42.9	43.9	36.5
9 Sussex	46.5	48.0	53.9	49.9
10 Sackville	47.6	50.9	----	----
11 St. Stephen	39.4	41.6	43.1	50.6
12 Tracadie	44.0	46.0	48.0	37.6

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	46.6	48.4	49.4	47.8
2 Yarmouth	47.9	49.7	50.7	49.1
3 Truro	47.2	49.0	50.0	48.1
4 New Glascow	47.7	49.5	50.5	48.9
5 Port Hawksbury	47.7	49.5	50.5	48.9
6 Sydney	47.7	49.5	50.5	48.9
7 Victoria	48.5	50.3	51.3	49.7

PROVINCIAL TAXES (c/l)

	1 July 86 to 30 Sept 86	1 Oct 86 to 31 Dec 86
Regular leaded	8.0	7.4
Regular unleaded	8.5	8.0
Premium unleaded	8.8	8.4
Diesel	9.0	7.8

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK
September 22, 1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel
1 Fredericton	50.2	53.5	55.1	47.2
2 Saint John	43.9	46.9	47.9	52.1
3 Moncton	49.0	51.4	52.5	39.9
4 Bathurst	45.6	47.6	49.7	36.1
5 Edmundston	38.2	40.5	41.6	35.7
6 Chatham-Newcastle	44.0	46.0	51.9	35.7
7 Campbellton	49.0	51.2	54.3	44.4
8 Woodstock	44.8	46.8	49.9	36.5
9 Sussex	46.6	48.1	53.9	49.9
10 Sackville	47.6	50.9	----	----
11 St. Stephen	39.4	41.6	43.1	50.6
12 Tracadie	44.0	46.0	48.0	37.6

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	46.6	48.4	49.4	47.8
2 Yarmouth	47.9	49.7	50.7	49.1
3 Truro	47.2	49.0	50.0	48.1
4 New Glascow	47.7	49.5	50.5	48.9
5 Port Hawksbury	47.7	49.5	50.5	48.9
6 Sydney	47.7	49.5	50.5	48.9
7 Victoria	48.5	50.3	51.3	49.7

[illegible] prices [illegible]
September 15, 1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel
1 Fredericton	50.4	52.4	55.0	46.2
2 Saint John	43.9	46.9	47.9	50.0
3 Moncton	49.2	51.9	53.4	41.0
4 Bathurst	46.3	48.3	51.3	39.9
5 Edmundston	39.8	40.9	41.6	39.9
6 Chatham-Newcastle	43.9	46.5	48.0	37.6
7 Campbellton	49.9	51.1	54.3	45.3
8 Woodstock	45.2	45.7	46.8	38.5
9 Sussex	46.6	48.1	53.9	49.9
10 Sackville	47.6	50.9	----	----
11 St. Stephen	40.9	46.9	43.1	50.9
12 Tracadie	44.0	46.0	48.0	37.6

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	46.7	48.5	49.5	47.9
2 Yarmouth	48.0	49.8	50.8	49.2
3 Truro	47.3	49.1	50.1	48.2
4 New Glascow	47.8	49.6	50.6	49.0
5 Port Hawksbury	47.8	49.6	50.6	49.0
6 Sydney	47.8	49.6	50.6	49.0
7 Victoria	48.6	50.4	51.4	49.8

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK
September 8, 1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel
1 Fredericton	50.4	52.4	55.0	46.2
2 Saint John	43.9	46.9	47.9	50.0
3 Moncton	49.6	52.3	54.0	40.5
4 Bathurst	46.3	48.3	51.3	39.9
5 Edmundston	38.8	40.5	42.8	38.9
6 Chatham-Newcastle	44.0	46.3	48.9	41.8
7 Campbellton	48.9	51.0	54.1	45.3
8 Woodstock	40.8	42.8	46.8	38.5
9 Sussex	46.6	48.1	53.9	49.9
10 Sackville	47.6	50.9	----	----
11 St. Stephen	40.9	46.9	43.1	50.9
12 Tracadie	44.0	46.0	48.0	37.6

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	46.7	48.5	49.5	47.9
2 Yarmouth	48.0	49.8	50.8	49.2
3 Truro	47.3	49.1	50.1	48.2
4 New Glascow	47.8	49.6	50.6	49.0
5 Port Hawksbury	47.8	49.6	50.6	49.0
6 Sydney	47.8	49.6	50.6	49.0
7 Victoria	48.6	50.4	51.4	49.8

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK September 2, 1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel
1 Fredericton	50.9	53.7	55.4	46.4
2 Saint John	43.9	46.9	47.9	52.1
3 Moncton	49.8	52.6	54.0	40.5
4 Bathurst	48.1	50.1	51.3	36.7
5 Edmundston	39.0	40.7	42.8	38.9
6 Chatham-Newcastle	44.0	46.7	48.9	41.8
7 Campbellton	49.1	51.2	54.3	45.3
8 Woodstock	40.8	42.8	46.8	38.5
9 Sussex	46.6	48.1	53.9	49.9
10 Sackville	47.6	50.9	----	----
11 St. Stephen	40.9	46.9	43.1	50.9
12 Tracadie	44.0	46.0	48.0	37.6

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	46.7	48.5	49.5	47.9
2 Yarmouth	48.0	49.8	50.8	49.2
3 Truro	47.3	49.1	50.1	48.2
4 New Glascow	47.8	49.6	50.6	49.0
5 Port Hawksbury	47.8	49.6	50.6	49.0
6 Sydney	47.8	49.6	50.6	49.0
7 Victoria	48.6	50.4	51.4	49.8

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK August 25, 1986

Cents Per Litre

City	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel
1 Fredericton	50.9	53.7	55.4	46.4
2 Saint John	43.9	46.9	47.9	52.1
3 Moncton	49.8	52.6	54.0	40.5
4 Bathurst	46.1	48.3	51.3	39.9
5 Edmundston	39.0	40.7	42.8	38.9
6 Chatham-Newcastle	44.0	46.7	48.9	41.8
7 Campbellton	49.1	51.2	54.3	45.3
8 Woodstock	40.8	42.8	46.8	38.5
9 Sussex	46.6	48.1	53.9	49.9
10 Sackville	47.6	50.9	----	----
11 St. Stephen	40.9	46.9	43.1	50.9
12 Tracadie	44.0	46.0	48.0	37.6

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1 Halifax-Dartmouth	46.7	48.5	49.5	47.9
2 Yarmouth	48.0	49.8	50.8	49.2
3 Truro	47.3	49.1	50.1	48.2
4 New Glascow	47.8	49.6	50.6	49.0
5 Port Hawksbury	47.8	49.6	50.6	49.0
6 Sydney	47.8	49.6	50.6	49.0
7 Victoria	48.6	50.4	51.4	49.8

August 18, 1986

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK
AUGUST 18, 1986

	Regular Leaded	Regular Unleaded	Premium Unleaded	Diesel Fuel
1. Fredericton	49.8	53.2	55.2	52.3
2. Saint John	43.9	46.9	47.9	52.1
3. Moncton	49.0	51.6	52.5	43.5
4. Bathurst	47.9	50.9	53.5	37.6
5. Edmundston	39.2	41.6	43.8	38.6
6. Chatham-Newcastle	43.7	46.6	51.9	37.6
7. Campbellton	48.5	51.4	54.4	42.5
8. Woodstock	40.8	42.8	46.9	38.5
9. Sussex	46.6	48.1	53.9	49.9
10. Sackville	47.6	50.9	--	--
11. St. Stephen	39.4	41.6	43.1	50.9
12. Tracadie	44.0	46.0	48.0	37.6

SURVEY OF GASOLINE PRICES ACROSS NOVA SCOTIA

1. Halifax-Dartmouth	46.7	48.5	49.5	47.9
2. Yarmouth	48.0	49.8	50.8	49.2
3. Truro	47.3	49.1	50.1	48.2
4. New Glasgow	47.8	49.6	50.6	49.0
5. Port Hawkesbury	47.8	49.6	50.6	49.0
6. Sydney	47.8	49.6	50.6	49.0
7. Victoria	48.6	50.4	51.4	49.8

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK - AUGUST 11, 1986

CENTS PER LITRE

	REGULAR LEADED	REGULAR UNLEADED	PREMIUM UNLEADED	DIESEL FUEL
1. FREDERICTON	50.7	53.7	55.5	45.9
2. SAINT JOHN	43.9	46.9	47.9	52.1
3. MONCTON	49.2	51.8	53.2	39.9
4. BATHURST	49.4	52.0	54.6	37.8
5. EDMUNDSTON	38.5	41.2	42.4	39.9
6. CHATHAM-NEWCASTLE	44.2	47.1	51.3	42.2
7. CAMPBELLTON	48.6	51.3	53.2	47.7
8. WOODSTOCK	42.8	44.8	48.8	46.9
9. SUSSEX	46.6	49.9	-	-
10. SACKVILLE	47.6	50.9	-	-
11. ST. STEPHEN	39.4	41.6	43.1	50.9
12. TRACADIE	41.9	45.8	-	-

NOTES: THESE PRICES ARE FOR FULL SERVICE STATIONS ONLY.

DIESEL PRICES VARY A GREAT DEAL AND IN VIEW OF SMALL SAMPLE MAY NOT INDICATE AVERAGE PRICE.

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK - AUGUST 5, 1986

CENTS PER LITRE

	REGULAR LEADED	REGULAR UNLEADED	PREMIUM UNLEADED	DIESEL FUEL
1. FREDERICTON	49.8	53.3	54.7	45.2
2. SAINT JOHN	43.4	46.5	47.9	48.9
3. MONCTON	49.3	52.1	53.5	40.0
4. BATHURST	48.8	51.4	54.1	40.7
5. EDMUNDSTON	38.5	41.2	42.9	39.9
6. CHATHAM-NEWCASTLE	44.1	46.7	52.9	42.2
7. CAMPBELLTON	48.6	51.5	54.6	43.5
8. WOODSTOCK	42.8	44.8	48.8	40.9
9. SUSSEX	46.6	48.1	53.3	55.9
10. SACKVILLE	47.6	49.7	51.0	40.9
11. ST. STEPHEN	39.4	41.6	43.1	50.9
12. TRACADIE	44.0	46.0	49.5	42.6

NOTE: THESE PRICES ARE FOR FULL SERVICE STATIONS ONLY.

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK JULY 28, 1986

CENTS PER LITRE

	REGULAR LEADED	REGULAR UNLEADED	PREMIUM UNLEADED	DIESEL FUEL
1 FREDERICTON	50.4	53.5	55.5	58.3
2 SAINT JOHN	43.2	46.3	48.2	50.1
3 MONCTON	49.0	51.4	52.8	43.5
4 BATHURST	47.4	49.1	52.8	41.6
5 EDMUNDSTON	38.5	40.9	41.1	37.2
6 CHATHAM-NEWCASTLE	44.1	46.7	51.8	48.9
7 CAMPBELLTON	48.6	51.2	54.3	52.5
8 WOODSTOCK	42.9	44.9	48.9	42.5
9 SUSSEX	46.6	48.1	53.3	55.9
10 SACKVILLE	47.6	50.4	0.0	0.0
11 ST. STEPHEN	39.4	41.6	43.0	55.9
12 TRACADIE	44.0	46.0	48.0	42.6

NOTE: THERE ARE PRICE WARS IN SAINT JOHN AND CHATHAM-NEWCASTLE.
THESE PRICES ARE FOR FULL SERVICE SATIONS ONLY.

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK JULY 21, 1986

CENTS PER LITRE

	REGULAR LEADED	REGULAR UNLEADED	PREMIUM UNLEADED	DIESEL FUEL
1 FREDERICTON	50.4	53.5	55.5	58.3
2 SAINT JOHN	43.2	46.3	48.2	50.1
3 MONCTON	49.0	51.4	52.9	43.5
4 BATHURST	47.4	50.1	52.7	42.6
5 EDMUNDSTON	39.0	41.9	43.9	40.0
6 CHATHAM-NEWCASTLE	44.3	47.2	51.8	48.9
7 CAMPBELLTON	48.6	51.2	54.3	42.5
1 WOODSTOCK	42.9	44.9	48.9	42.5
9 SUSSEX	46.6	48.1	0.0	0.0
10 SACKVILLE	49.2	51.6	0.0	0.0
11 ST. STEPHEN	39.4	41.6	43.0	55.9
12 TRACADIE	44.2	46.9	48.9	44.9

NOTE: THERE ARE PRICE WARS IN SAINT JOHN AND CHATHAM-NEWCASTLE.
THESE PRICES ARE FOR FULL SERVICE SATIONS ONLY.

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK AND NOVA SCOTIA JULY 14, 1986

CENTS PER LITRE

	REGULAR LEADED	REGULAR UNLEADED	PREMIUM UNLEADED	DIESEL FUEL
1. NEW BRUNSWICK				
1 FREDERICTON	50.4	53.5	55.5	58.3
2 SAINT JOHN	43.2	46.3	48.2	50.1
3 MONCTON	49.0	51.4	52.8	43.3
4 BATHURST	47.4	50.1	52.7	42.6
5 EDMUNDSTON	39.0	41.9	43.9	40.0
6 CHATHAM-NEWCASTLE	46.0	48.7	53.9	48.9
7 CAMPBELLTON	48.6	51.2	54.3	42.5
8 WOODSTOCK	42.9	44.9	48.9	42.5
SUSSEX	46.6	48.1	---	---
SACKVILLE	49.2	51.6	---	---
11 ST. STEPHEN	39.4	41.6	43.0	55.9
12 TRACADIE	44.2	46.9	48.9	44.9
2. NOVA SCOTIA				
1 HALIFAX-DARTMOUTH	46.7	48.5	49.5	47.9
2 YARMOUTH	48.0	49.8	50.8	49.2
3 TRURO	47.3	49.1	50.1	48.5
4 NEW GLASCOW	47.8	49.6	50.6	49.0
5 PORT HAWKSBURY	47.8	49.6	50.6	49.0
6 SYDNEY	47.8	49.6	50.6	49.0
7 VICTORIA	48.6	50.4	51.4	49.8

NOTE: PRICE WARS ARE OCCURRING IN SAINT JOHN AND CHATHAM-NEWCASLTE.
THESE PRICES ARE FOR FULL SERVICE SATIONS ONLY.

SURVEY OF GASOLINE PRICES ACROSS NEW BRUNSWICK, JULY 8 1986

CENTS PER LITRE

	REGULAR LEADED	REGULAR UNLEADED	PREMIUM UNLEADED
1 FREDERICTON	50.4	53.5	55.5
2 SAINT JOHN*	43.9	46.9	47.9
3 MONCTON	49.2	51.4	52.9
4 BATHURST	48.6	51.5	53.3
5 EDMUNDSTON	39.2	42.2	44.9
6 CHATHAM-NEWCASTLE*	46.5	49.0	51.9
7 CAMPBELLTON	48.7	51.5	54.8
8 WOODSTOCK	42.9	44.9	48.9
9 SUSSEX	46.6	48.1	---
10 SACKVILLE	49.2	51.6	---
11 ST. STEPHEN	39.4	41.6	43.0
12 TRACADIE	43.9	45.9	---

NOTE: THESE FIGURES REPRESENT FULL SERVICE STATIONS ONLY.

* PRICE WARS EXIST IN CHATHAM-NEWCASTLE AND SAINT JOHN.

APPENDIX 1.7

Outline of a System of Regulation of Petroleum Products Markets

1. Authority to regulate to be vested in the Minister of Natural Resources and Energy.

2. Products to be regulated include gasoline, diesel, home heating oil.

3. Aspects of market which should be regulated include:

   - retail or pump price
   - retailer's minimum margin
   - promotional activities

4. Retail or pump prices of gasoline to be determined, for regular leaded, regular unleaded and super unleaded grades at both self-serve and full-serve outlets.

   One maximum price for each grade and service to apply to the whole Province and to be determined by sampling retail prices (less provincial tax) in Ontario as follows:

   - Five (5) outlets in the Toronto Metropolitan area.

   - Two (2) outlets each from Barrie, Orillia and Pewassan.

   - One (1) outlet each from Bancroft, Renfrew, Smiths Falls, Parry Sound, Bracebridge, Huntsville, Pembroke, Sudbury, North Bay, Deep River, Sturgeon Falls, South River, Mattawa, and Callander.

   The maximum price (less provincial tax) in New Brunswick to be the simple average of the twenty-five (25) prices sampled for each grade and service level (plus or minus - cents per litre).

   (The locations and method of selection of outlets in communities to be finally determined in consultation with the company undertaking the survey.)

5. The maximum retail prices of diesel to be determined in a similar manner by reference to outlets in the same twenty-five (25) locations.

6. The maximum retail price of home heating oil to be determined in a similar manner by reference to outlets serving the same twenty-five (25) communities.

7. Gasoline and diesel retailers minimum margins to be set by the Minister.

8. Promotional activities must be fully funded by the company or individual requiring the promotion to be carried out.

9. All regulated prices to be published at no greater than two monthly intervals following a survey of Ontario locations in the previous week.

10. A method of appeal of Minister's decisions is to be included.